



The Medical University of South Carolina
Charleston, South Carolina

Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

Included in the Enterprise Funds of the State of South Carolina

This Comprehensive Annual Financial Report is also available from the
The Medical University of South Carolina website:

<http://academicdepartments.musc.edu/vpfa/financialreports>

Adobe Acrobat reader is required to read the pdf file.

Prepared by:
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Cover: James E. Clyburn Research Center - Drug Discovery and Bioengineering Buildings



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Prepared by the Controller's Office

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Introductory Section

PRESIDENT'S LETTER

Office of the President
Colcock Hall
179 Ashley Ave.
MSC 001
Charleston, SC 29425



October 14, 2011

Dear Friends:

It is a pleasure to present you with this summary financial report for the past fiscal year at the Medical University of South Carolina. Our hard-working employees continue to demonstrate the ability to "do more with less." One might expect that morale would suffer under the circumstances, but I am pleased to report that separate recent surveys of our faculty and staff revealed satisfaction rates approaching 95%. Applications to most of our educational programs are at all time highs, and as with our faculty and staff, the students have very high levels of satisfaction with their programs once they arrive.

Our scientists again set a record in research funding, bringing in more than \$238 million in grant funds – more than any university in South Carolina has ever received. The recruitment of a number of new endowed chairs as part of the SmartState program has helped to drive this growth, and we are anticipating continued success as we prepare to open the new Drug Discovery and Bioengineering research facilities on campus.

The clinical enterprise also continues to grow and receive national recognition, with over 300 physicians included in the *Best Doctors in America* list. In fact, the demand for our clinical services has never been higher and even with the expansion of 156 beds three years ago with the opening of Ashley River Tower, the hospital frequently operates today at full capacity. Plans are being developed to expand our number of in-patient beds, while new ambulatory care facilities are under construction in Mount Pleasant.

As we prepare for the future, we are guided by a strategic plan that has four areas of emphasis: entrepreneurial activity, innovation/technology, globalization, and inter-professional collaboration. We believe that success in these areas will help to drive our continued growth and development. We face the future with great pride in what has been accomplished and excitement about the even greater potential that lies ahead.

With best wishes,

A handwritten signature in black ink, reading "Raymond S. Greenberg". The signature is written in a cursive, flowing style.

Raymond S. Greenberg, MD, PhD
President

TRANSMITTAL LETTER

Office of the Vice President
Finance and Administration
Colcock Hall
179 Ashley Avenue
MSC 002
Charleston, SC 29425
Telephone (843) 792-5050

October 14, 2011

President Raymond S. Greenberg, MD, Ph.D.
Members of the Board of Trustees
Charleston, South Carolina

We are pleased to present the Comprehensive Annual Financial Report for The Medical University of South Carolina (the University) for the fiscal year ended June 30, 2011.

The Comprehensive Annual Financial Report includes the audited financial statements for the year ended June 30, 2011, and other information relating to the finances of the University. The financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants; however, responsibility for the accuracy of the information and for the completeness and reliability of its presentation rests with the management of the University. We believe this information is accurate in all material respects and fairly presents the University's financial position.

Management has established a comprehensive internal control framework designed to safeguard the assets of the University and its component units, to provide reliable accounting data and to ensure that organizational objectives are met. Policies and procedures have been established and made available throughout the organization to promote efficiency and compliance with established laws and regulations at University, State and Federal levels. As a recipient of federal financial awards, the University is responsible for ensuring compliance with all applicable laws and regulations related to these awards. Therefore, an annual single audit is performed in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. The University has designed into the process safeguards to reduce, though not eliminate, this risk.

Generally accepted accounting principles (GAAP) require that management provide a narrative overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A, which provides an overview and analysis of currently known facts and activities.

Profile of the University

The Medical University of South Carolina (the University) is a part of the primary government of the State of South Carolina and is included as a business-type activity in the State's Comprehensive Annual Financial Report.

The University, located in Charleston, South Carolina, was created by an act of the General Assembly in 1824 as the "Medical College of South Carolina". Historically, it is recognized as the first medical college in the South. The University is governed by a fourteen-member Board of Trustees consisting of the Governor or his designee (ex officio), twelve members elected by the General Assembly, and one member appointed by the Governor. As determined by the Board, the University's purpose is to preserve and optimize human life for the citizens of South Carolina and the nation through education of health care professionals and biomedical scientists, research in the health sciences, and provision of comprehensive health care.

The financial reporting entity consists of the University (the primary government), and six separate legal entities, which are considered component units of the University. The six component units consist of:

- ♦ Two blended major fund entities, the Medical University Hospital Authority (the Authority) and University Medical Associates of the Medical University of South Carolina (UMA);
- ♦ Two blended non-major fund entities, CHS Development Company (CHS) and the Medical University Facilities Corporation (MUFC); and
- ♦ Two discretely presented entities, the MUSC Foundation (MUSCF) and the MUSC Foundation for Research Development (MFRD).

Further information on the reporting entity is contained in Note 1 in the notes to the financial statements.

The State Budget and Control Board requires the University to submit an annual balanced budget. The University and its component units also prepare annual budgets for presentation to the Board of Trustees. Budgetary controls are incorporated into both the University's accounting system and the State's financial management system. Periodic financial reports comparing actual results with budgeted amounts are provided at both the University and the State level.

The University contracted with KPMG LLP, a firm of licensed certified public accountants, to perform the annual audit of the Medical University of South Carolina's financial statements and the audit of the University's federal financial assistance programs. The goal of the independent financial audit is to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2011 are free of material misstatement. Based on the audit, the independent auditor has rendered an unqualified opinion that the Medical University of South Carolina's financial statements for the year ended June 30, 2011 are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report. Information on the Single Audit of federal financial assistance programs is included in a separately issued Single Audit Report.

Additionally, the University's Internal Audit department performs fiscal, compliance and performance audits throughout the year. The reports resulting from these audits are shared with the University's management and the Board of Trustees.

Factors Affecting Financial Condition

The University employs approximately 5,000 faculty and staff and, when combined with the Medical University Hospital Authority and University Medical Associates, the university system, with more than 11,000 employees, is one of the largest employers in the State system and a major employer in the Charleston Tri-County area. The size of the University's student body is relatively stable, with fiscal year 2011 enrollment of 3,012 full and part-time students in six colleges.

Local Economy

Economic factors on both the national and state levels impact the environment in which the University operates. South Carolina, in common with most states, has been negatively impacted by the continuing nationwide recession. South Carolina's unemployment rate at the end of June was 10.9 percent, which was 1.7 percent above the national average of 9.2 percent. At the beginning of fiscal year 2011, the University experienced a 21% state budget reduction for a total of \$14.2 million, which was offset by stimulus funds. Despite the largest percentage cuts to higher education appropriations in the nation, the University finished the year with a positive operating margin.

The budget environment was uncertain throughout fiscal year 2011. All signs continued to point toward economic and financial volatility such as the stock market turmoil, high and unstable gas prices, unsustainable debt, and low economic growth. The State's actual revenues trended slightly upward in fiscal year 2011 with total General Fund revenue collections of \$5.6 billion, which was a 1% increase from the prior fiscal year. The State completed the fiscal year with a \$122.7 million budgetary General Fund surplus.

Long-term Financial Planning

As the global economy continued to weaken in the past year, MUSC took proactive steps to allocate funds conservatively and reduce spending. Below are just a few highlights from the University's fiscal year 2011 operating budget:

- The University received approximately \$14.2 million in the 2011 fiscal year through the education component of the American Recovery and Reinvestment Act (ARRA) to help offset increases in tuition, preserve jobs, prevent furloughs, and streamline operations.
- The University was awarded \$19.2 million in economic stimulus grant funding through the American Recovery and Reinvestment Act (ARRA) funding.
- The University set a new record high for extramural research funding at \$238 million. In order to accommodate further growth of the research enterprise, construction of the Drug Discovery and Bioengineering buildings were substantially completed in the 2011 fiscal year.
- Despite the economy, MUSC ended the fiscal year with a record \$82.8 million in private charitable donations.

As we look to the future, the recruitment of Dr. Mark Sothmann as MUSC's Vice-President of Academic Affairs and Provost will provide new opportunities and a new vision. MUSC will work together to collectively refine the missions – education, research, and clinical care – and the many issues, challenges, and opportunities that fall within each of these areas. For education, MUSC will determine how to provide the highest quality of education to the students, while keeping tuition as low as possible. For the research mission, MUSC will work to improve research services while at the same time finding creative ways to improve NIH ranking. With respect to the clinical mission, MUSC will continue to provide the very highest quality of patient care while preparing for health care reform.

Major Initiatives

The University's pursuit of excellence in education, research, and patient care has played an integral part in the many achievements of its faculty and staff. The University recognizes its obligations to the citizens of South Carolina and is committed to responding to their need for the highest quality education, improved health care delivery, and increased research endeavors. To address these needs, the University is focused on the integration of its education, research, and patient care activities to prepare a healthcare workforce with emphasis on inter-professional education and teamwork.

The University continues to recruit outstanding faculty and to expand its educational and research facilities. Drawing on the varied skills, abilities and knowledge in an integrated team approach across all education, research and patient care activities has resulted in outstanding achievements.

Awards

- ◆ **U.S. News & World Report** recognized 13 MUSC programs. MUSC was ranked as one of the country's best hospitals in the treatment of gastrointestinal disorders and ear/nose/throat disorders and "high-performing" in treating kidney disorders, gynecologic disorders, orthopedics and rheumatology, cancer, cardiology and heart surgery, neurology and neurosurgery, psychiatry, pulmonology, geriatrics and urology.
- ◆ MUSC Children's Hospital was ranked #17 in the top 20 hospitals for children's heart programs in the U.S. News Media Group's 2011 edition of **America's Best Children's Hospitals**.
- ◆ Three hundred and five (305) MUSC physicians were listed in the 2011-2012 **Best Doctors in America**. Thirty-four (34) physicians from the MUSC Children's Hospital, two hundred and seventy (270) from the MUSC Medical Center and U. (Joesf) Schoepf, MD from the MUSC Heart and Vascular Center were selected.
- ◆ **U.S. News & World Report** Annual Best Graduate Schools medical and specialty rankings cited 11 MUSC graduate programs in the top 100 rankings: Neuroscience-Center for Drug and Alcohol Programs (CDAP), Medicine-Primary Care, Medicine-Research, Medicine-Statistics, Nursing, Health Professions-Health Care Management, Health Professions-Nursing Anesthesia, Health Professions-Occupational Therapy, Health Professions-Physical Therapy, Health Professions-Physician Assistant.

Education

- ◆ MUSC ended the fiscal year with a record \$82.8 million in private charitable donations.
- ◆ MUSC Children's Hospital received a \$1 million charitable investment from the Boeing Company which will establish a community-based center to promote children's health and fitness.
- ◆ Following a national search, Dr. Mark Sothmann, former Dean of the College of Health Professions, was appointed Vice-President of Academic Affairs and Provost.
- ◆ College of Nursing receives full accreditation for its Advanced Practice Nursing Program.
- ◆ College of Dental Medicine receives full accreditation.
- ◆ Approved University strategic plan and began implementation.
- ◆ K. Jackson Thomas, PT, EdD was awarded the prestigious Dorothy E. Baethke-Eleanor J. Carlin Award, which honors significant contributions to physical therapy education through teaching excellence.
- ◆ CARES Clinic earns S.C. Governor's Volunteer Award.

Research

- ◆ MUSC research funding broke state records with total grant support from outside sources reaching \$238 million.
- ◆ MUSC received a three-year, \$12.7 million award in a cooperative agreement with the United States Department of Defense to develop educational and outreach programs and conduct community-based research on health disparities.
- ◆ Substantial completion of two new research buildings (Drug Discovery and Bioengineering).
- ◆ Opened a state-of-the-art rehabilitation science laboratory.
- ◆ MUSC researcher, Dr. Michael Schmidt, developed technology that kills bacteria linked to hospital infections.
- ◆ FirstString Research, Inc., a biotechnology company sprung from a MUSC lab, received two wound-healing patents.
- ◆ MRI trailblazer, Dr. Joseph A. Helpert, joined the MUSC faculty and SC SmartState Centers of Economic Excellence Endowed Chair.
- ◆ Renowned lung cancer expert George R. Simon, MD, joined MUSC Hollings Cancer Center to lead its SmartState Center of Economic Excellence in Tobacco Related Malignancy Research.
- ◆ Richard Drake, PhD, one of the nation's leading experts on the complex role of proteins in the development of cancer, recruited as SmartState Center of Economic Excellence Chair in Proteomics.
- ◆ Nationally renowned medicinal chemist Patrick Woster, PhD, joins MUSC as SmartState Center of Economic Excellence Chair in Cancer Drug Discovery.
- ◆ Frank Treiber, PhD, joined MUSC as SmartState Chair in Technology Center to Advance Healthy Lifestyles and eliminate health disparities.

Clinical

- ◆ Launched a clinical enterprise strategic plan.
- ◆ MUSC neurosurgeons implement a newly FDA-approved device, called the Pipeline Embolization Device for treatment of complex aneurysms.

Awards and Acknowledgements

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Medical University of South Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the eighteenth consecutive year that the University has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

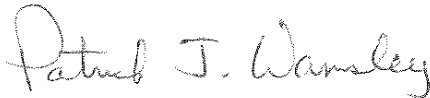
Acknowledgements

The preparation of the Comprehensive Annual Financial Report in a timely manner would not have been possible without the coordinated efforts of the Controller's Office and other University financial staff. We would like to thank each member for their contributions.

Sincerely,



Lisa P. Montgomery, MHA
Vice President for Finance and Administration



Patrick J. Wamsley, CPA
Chief Financial Officer



Susan F. Edwards, CPA
Controller

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Medical University
of South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

BOARD OF TRUSTEES AND PRINCIPAL UNIVERSITY OFFICIALS

July 1, 2010 – June 30, 2011

Board of Trustees

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Governor

Charles B. Thomas, Jr., M.D.
Greenville, SC

Thomas L. Stephenson, J.D.
Chairman
Greenville, SC

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Rock Hill, SC

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Charleston, SC

Donald R. Johnson, II, M.D.
Charleston, SC

E. Conyers O'Bryan, Jr., M.D.
Florence, SC

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Columbia, SC

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Columbia, SC

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Barnwell, SC

The Hon. Phillip D. Sasser, J.D.
Emeritus
Conway, SC

Allen E. Stalvey, MBA
Emeritus

Hugh B. Faulkner, III, B.A.
Secretary
Columbia, SC

(a) Governor's designee

(b) Governor's at-large appointee

Officers of The Medical University of South Carolina

Raymond S. Greenberg, M.D., Ph.D.
President

Mark S. Sothmann, Ph.D.
Vice President
Academic Affairs and Provost

Lisa P. Montgomery, MHA
Vice President
Finance and Administration

Etta Pisano, M.D.
Vice President
Medical Affairs

W. Stuart Smith, MBA, MHA
Vice President
Clinical Operations and Executive Director
MUSC Medical Center

William J. Fisher, B.S.
Vice President
Development

Frank C. Clark, Ph.D.
Vice President
Information Technology and Chief Information Officer

Deans

Etta Pisano, M.D.
College of Medicine

Joseph T. DiPiro, Pharm. D.
Executive Dean, South Carolina College of Pharmacy

Philip D. Hall, Pharm. D.
MUSC Campus, SC College of Pharmacy

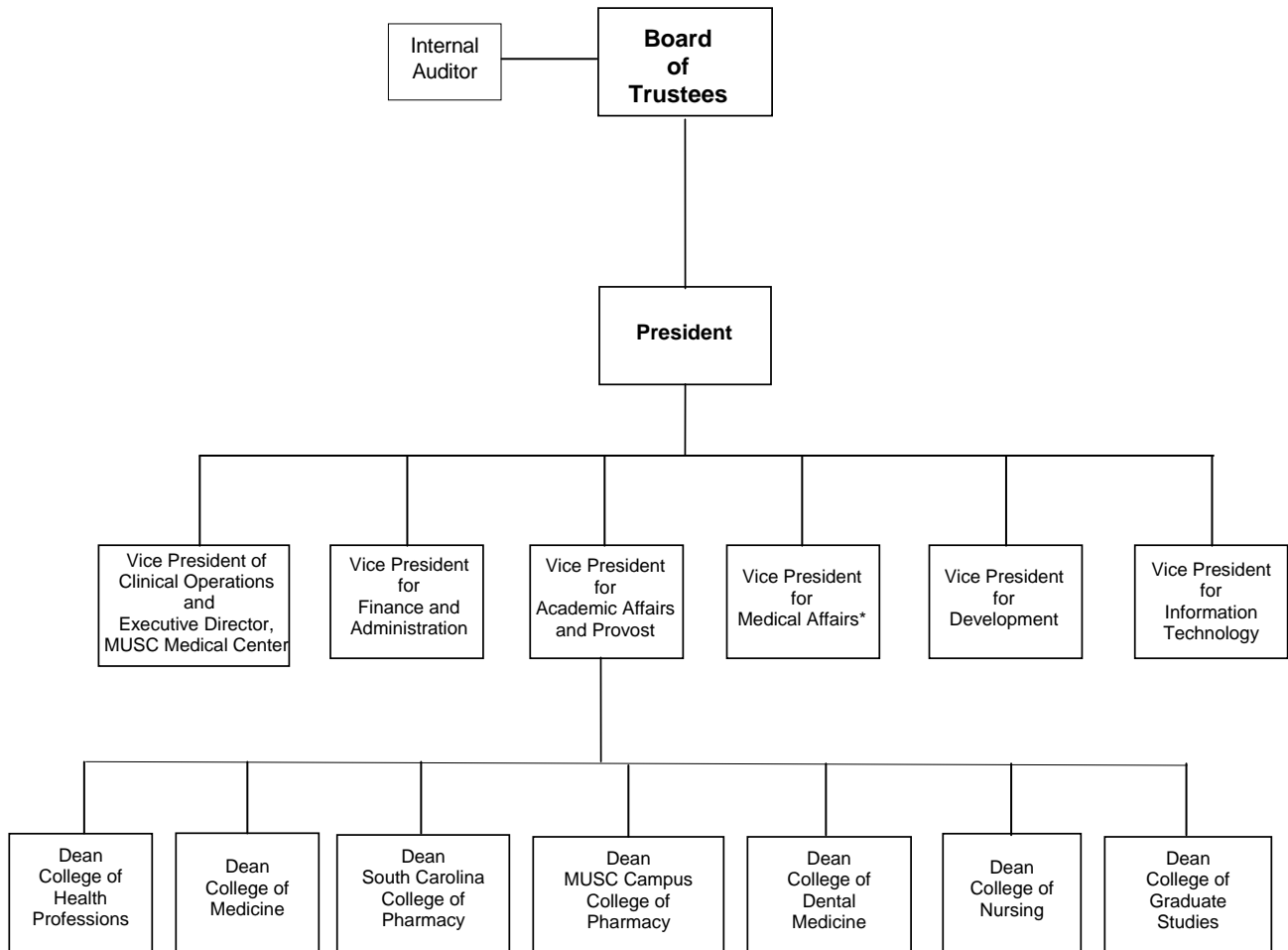
Gail W. Stuart, Ph.D., RN, FAAN, CS
College of Nursing

Perry V. Halushka, M.D., Ph.D.
College of Graduate Studies

John J. Sanders, DDS
College of Dental Medicine

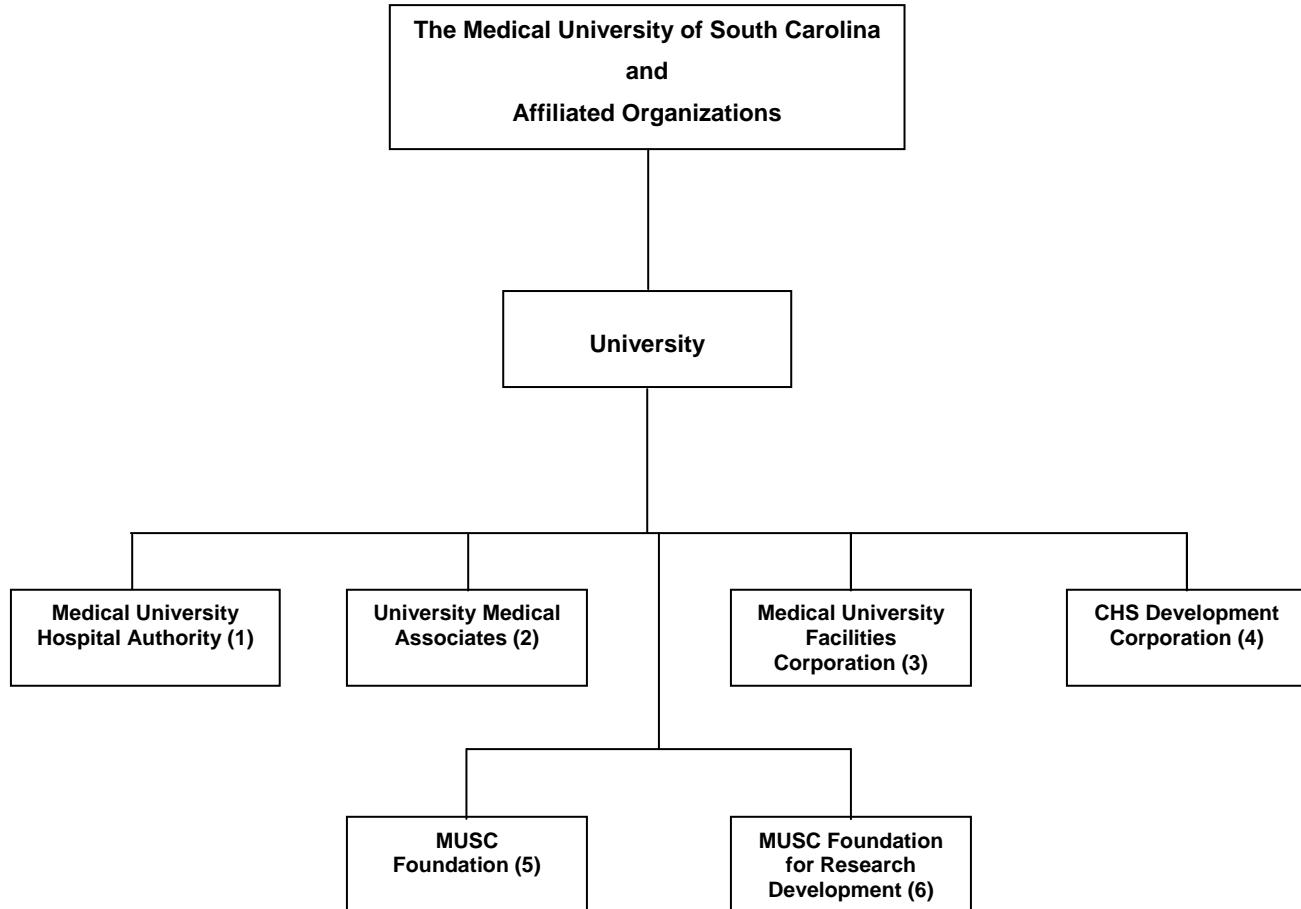
Lisa S. Saladin, PT, Ph.D. (interim dean)
College of Health Professions

ORGANIZATION CHART



* This Vice President also serves as Dean of the College of Medicine.

THE MEDICAL UNIVERSITY AND AFFILIATED ORGANIZATIONS



Notes:

1. The Medical University Hospital Authority (MUHA) was formed in June, 2000, to manage and operate the hospitals and clinics of the University.
2. University Medical Associates (UMA) is a non-profit corporation established to promote and support the educational, medical, scientific, and research purposes of the University.
3. Medical University Facilities Corporation (MUFC) is a non-profit corporation established in fiscal year 1992 to obtain financing for the University to acquire real property.
4. CHS Development Corporation (CHS) is a non-profit corporation established in fiscal year 2003 to obtain financing for the University to acquire and develop real property.
5. The MUSC Foundation (MUSCF) is a non-profit corporation established in 1966 as an educational, charitable, eleemosynary foundation.
6. The MUSC Foundation for Research Development (MFRD) is a non-profit corporation established in 1995 to manage the University's intellectual property and technology marketing and to foster cooperation between the University and business and industry.

Financial Section



KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' Report

Board of Trustees
Medical University of South Carolina
Charleston, South Carolina

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Medical University of South Carolina (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, discretely presented component units, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As discussed in note 1, the financial statements of the University are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the University as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 23 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The combining nonmajor enterprise fund financial statements, and the introductory and statistical sections listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor enterprise fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

October 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information (unaudited)

Introduction

The management of The Medical University of South Carolina offers readers of the financial statements this narrative overview and analysis of the financial position and activities of The Medical University of South Carolina for the fiscal year ended June 30, 2011 with comparative information for the year ended June 30, 2010. Management's discussion and analysis (MD&A) will focus on the financial position and operations of the primary institution (the University) and the two component units that are reported as major funds, Medical University Hospital Authority (the Authority) and University Medical Associates (UMA). This discussion should be read in conjunction with our letter of transmittal in the introductory section of this report and with the accompanying financial statements and notes.

Financial Highlights

At June 30, 2011, total assets reported by the University were \$910.1 million and total liabilities were \$327.9 million. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased \$63.8 million in fiscal year 2011 from \$518.4 to \$582.2 million. Of the total net assets, \$71.8 million represents unrestricted net assets, which may be used to meet the University's ongoing obligations.

At June 30, 2011, the Authority's total assets and deferred outflows of \$895.4 million exceeded its total liabilities of \$575.2 million by \$320.2 million. Net assets, the residual interest in the assets after liabilities are deducted, increased \$23.8 million, as compared to an increase of \$63.8 million for fiscal year 2010. The Authority reported operating income in 2011 of \$48.3 million, as compared to operating income for fiscal year 2010 of \$89.3 million, a decrease of \$41.0 million. Net non-operating expenses were \$24.5 million for fiscal year 2011 as compared to \$25.7 million for fiscal year 2010, a decrease of \$1.2 million. There were no non-operating transfers from the University in fiscal year 2011, as compared to \$0.2 million in fiscal year 2010.

At June 30, 2011, UMA reported total assets and deferred outflows of \$299.0 million and total liabilities and deferred inflows of \$100.9 million. Net assets were \$198.1 million, an increase of \$35.0 million, or 21.5 percent, from the previous year. Of this amount, \$180.7 million represents unrestricted net assets that are available to meet UMA's ongoing obligations. UMA's operating revenues for the fiscal year 2011 increased \$10.4 million, or 3.3 percent, over fiscal year 2010 to \$322.1 million. Operating expenses increased by \$4.4 million, or 1.9 percent, over fiscal year 2010 to \$240.6 million. Net non-operating expense for fiscal year 2011 was \$0.4 million, as compared to net non-operating expense of \$5.2 million for fiscal year 2010.

Overview of the Financial Statements

The financial report includes three financial statements:

- ◆ Statement of Net Assets
- ◆ Statement of Revenues, Expenses and Changes in Net Assets
- ◆ Statement of Cash Flows

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles as prescribed in GASB Statement No. 35, *Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and Universities*. This statement establishes standards for external financial reporting for public colleges and universities, and requires that financial statements be presented on an entity-wide basis to focus on the university as a whole rather than on individual fund groups.

Statement of Net Assets

The Statement of Net Assets presents the financial position as of the end of the fiscal year and includes all assets and liabilities of the entity. Cash and investments are generally reported at fair values. Capital assets are reported at historical cost less an allowance for depreciation. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the current year. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the entity, and how much is owed to vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure.

Net assets are classified as follows:

- ◆ Invested in capital assets, net of related debt, represents the equity in property, plant, and equipment.
- ◆ Restricted nonexpendable net assets consist of the University's permanent endowment funds.
- ◆ Restricted expendable net assets are available for expenditure, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- ◆ Unrestricted net assets are available for any lawful purpose of the entity.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Summary of Net Assets

Amounts in thousands

	<u>The University</u>		<u>Medical University Hospital Authority</u>		<u>University Medical Associates</u>	
	2011	2010	2011	2010	2011	2010
<u>Assets</u>						
Current assets	\$ 193,632	\$ 189,416	\$ 257,734	\$ 255,776	\$ 218,056	\$ 179,626
Noncurrent assets						
Capital assets, net	582,868	556,080	525,250	547,140	54,218	47,453
Other assets & deferred outflows	133,636	91,037	112,379	108,420	26,761	34,377
Total assets & deferred outflows	<u>910,136</u>	<u>836,533</u>	<u>895,363</u>	<u>911,336</u>	<u>299,035</u>	<u>261,456</u>
<u>Liabilities</u>						
Current liabilities	139,773	135,067	128,500	143,598	32,677	27,927
Noncurrent liabilities & deferred inflows	188,165	183,027	446,654	471,323	68,194	70,382
Total liabilities & deferred inflows	<u>327,938</u>	<u>318,094</u>	<u>575,154</u>	<u>614,921</u>	<u>100,871</u>	<u>98,309</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	399,743	365,977	78,732	78,737	17,452	11,681
Restricted						
Nonexpendable	66,754	52,446	-	-	-	-
Expendable	43,905	31,102	92,972	89,269	-	-
Unrestricted	71,796	68,914	148,505	128,409	180,712	151,466
Total net assets	<u>\$ 582,198</u>	<u>\$ 518,439</u>	<u>\$ 320,209</u>	<u>\$ 296,415</u>	<u>\$ 198,164</u>	<u>\$ 163,147</u>
	<u>Nonmajor Enterprise Funds</u>		<u>Interfund Capital Lease Eliminations</u>		<u>Total Primary Government</u>	
	2011	2010	2011	2010	2011	2010
<u>Assets</u>						
Current assets	\$ 5,512	\$ 8,328	\$ (3,219)	\$ (3,040)	\$ 671,715	\$ 630,106
Noncurrent assets						
Capital assets, net	-	-	-	-	1,162,336	1,150,673
Other assets & deferred outflows	33,658	34,093	(25,787)	(29,006)	280,647	238,921
Total assets & deferred outflows	<u>39,170</u>	<u>42,421</u>	<u>(29,006)</u>	<u>(32,046)</u>	<u>2,114,698</u>	<u>2,019,700</u>
<u>Liabilities</u>						
Current liabilities	4,323	4,192	(3,219)	(3,040)	302,054	307,744
Noncurrent liabilities & deferred inflows	32,777	36,463	(25,787)	(29,006)	710,003	732,189
Total liabilities & deferred inflows	<u>37,100</u>	<u>40,655</u>	<u>(29,006)</u>	<u>(32,046)</u>	<u>1,012,057</u>	<u>1,039,933</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	-	-	-	-	495,927	456,395
Restricted						
Nonexpendable	-	-	-	-	66,754	52,446
Expendable	2,070	1,766	-	-	138,947	122,137
Unrestricted	-	-	-	-	401,013	348,789
Total net assets	<u>\$ 2,070</u>	<u>\$ 1,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,102,641</u>	<u>\$ 979,767</u>

The University's increase in total assets of \$73.6 million resulted primarily from an increase in restricted cash and additions to capital assets. Significant capital additions in fiscal year 2011 included expenditures related to the construction of the Drug Discovery Building and the Bioengineering Building. Total liabilities increased by \$9.8 million from 2011 to 2010, primarily due to an increase in deferred revenues and an increase in long-term liabilities resulting from the net impact of an additional borrowing and scheduled repayments.

The Authority's total assets & deferred outflows decreased by 1.8 percent from 2010 to 2011. Patient accounts receivable, net of estimated uncollectible amounts, increased from \$146.2 million to \$155.2 million, largely as a result of increases in patient activity and a price increase. Net capital assets decreased during the fiscal year by \$21.9 million largely as a result of the net effect of depreciation and capital additions related to renovation and remodeling of existing facilities. Total liabilities decreased by 6.5 percent from 2010 to 2011. Noncurrent liabilities decreased by \$24.7 million primarily due to scheduled debt service payments. No new debt was incurred by the Authority in fiscal year 2011. Current liabilities decreased by \$15.1 million largely resulting from payments related to the Disproportionate Share Hospital (DSH) program overpayments identified in previous years.

UMA's total assets & deferred outflows increased \$37.6 million in 2011 while liabilities & deferred inflows increased \$2.6 million. Unrestricted net assets increased \$29.2 million from \$151.5 million in 2010 to \$180.7 million in 2011.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the entity. Non-operating revenues are revenues received for which goods and services are generally not provided. A public University's dependence on state aid and gifts usually results in operating deficits because state appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life.

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues earned, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains and losses received or incurred by the entity.

Summary of Revenues, Expenses and Changes in Net Assets

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2011	2010	2011	2010	2011	2010
Operating revenues	\$ 420,672	\$ 369,928	\$ 1,027,787	\$ 997,443	\$ 322,135	\$ 311,748
Operating expenses	(575,180)	(543,659)	(979,470)	(908,186)	(240,547)	(236,171)
Operating income (loss)	(154,508)	(173,731)	48,317	89,257	81,588	75,577
Nonoperating revenues	120,757	148,846	1,665	1,758	13,176	9,139
Nonoperating expenses	(10,322)	(10,240)	(26,188)	(27,449)	(13,587)	(14,293)
Net nonoperating revenues (expenses)	110,435	138,606	(24,523)	(25,691)	(411)	(5,154)
Income (loss) before other revenues, expenses, gains, losses, and transfers	(44,073)	(35,125)	23,794	63,566	81,177	70,423
Capital appropriations	23,638	22,005	-	-	-	-
Capital grants and gifts	24,402	25,669	-	-	-	-
Additions to permanent endowments	14,293	9,998	-	-	-	-
Transfers	45,499	41,306	-	248	(46,160)	(42,207)
Change in net assets	63,759	63,853	23,794	63,814	35,017	28,216
Net assets at beginning of year	518,439	454,586	296,415	232,601	163,147	134,931
Net assets at end of year	\$ 582,198	\$ 518,439	\$ 320,209	\$ 296,415	\$ 198,164	\$ 163,147

	Nonmajor Enterprise Funds		Interfund Capital Lease Eliminations		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Operating revenues	\$ 1,790	\$ 1,929	\$ (1,586)	\$ (1,739)	\$ 1,770,798	\$ 1,679,309
Operating expenses	(2,147)	(2,312)	-	-	(1,797,344)	(1,690,328)
Operating income (loss)	(357)	(383)	(1,586)	(1,739)	(26,546)	(11,019)
Nonoperating revenues	-	-	-	-	135,598	159,743
Nonoperating expenses	-	-	1,586	1,739	(48,511)	(50,243)
Net nonoperating revenues (expenses)	-	-	1,586	1,739	87,087	109,500
Income (loss) before other revenues, expenses, gains, losses, and transfers	(357)	(383)	-	-	60,541	98,481
Capital appropriations	-	-	-	-	23,638	22,005
Capital grants and gifts	-	-	-	-	24,402	25,669
Additions to permanent endowments	-	-	-	-	14,293	9,998
Transfers	661	653	-	-	-	-
Change in net assets	304	270	-	-	122,874	156,153
Net assets at beginning of year	1,766	1,496	-	-	979,767	823,614
Net assets at end of year	\$ 2,070	\$ 1,766	\$ -	\$ -	\$ 1,102,641	\$ 979,767

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Revenues

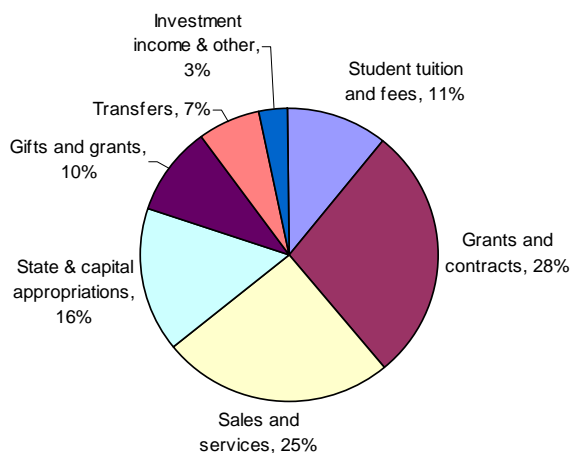
The University's daily operations are funded primarily from grants and contracts, sales and services, and State and capital appropriations. These three sources account for 69 percent of the total fiscal year 2011 revenues of \$649.3 million and 69 percent of the total fiscal year 2010 revenues of \$617.8 million. The following table and chart illustrate the University's revenues by source.

Revenues by Source – The University

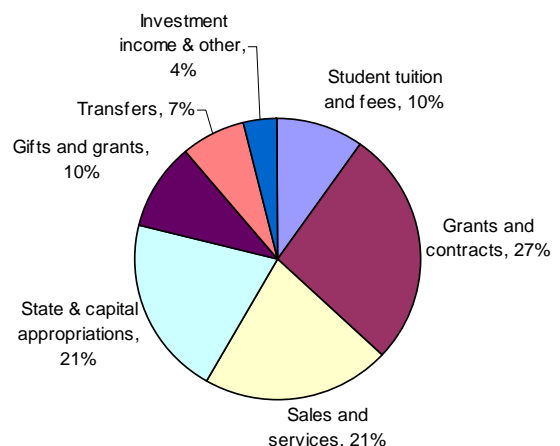
Amounts in thousands

	2011	Percent Of Total	2010	Percent Of Total
Operating revenues				
Student tuition and fees	\$ 69,197	11%	\$ 62,545	10%
Grants and contracts	180,613	28%	164,687	27%
Sales and services	161,190	25%	132,062	21%
Other operating revenues	9,672	1%	10,634	2%
Total operating revenues	420,672	65%	369,928	60%
Nonoperating and other revenues				
State & capital appropriations	105,297	16%	130,652	21%
Gifts and grants	66,144	10%	62,165	10%
Investment income	9,843	2%	6,256	1%
Transfers	45,499	7%	41,306	7%
Other nonoperating revenues	1,806	0%	7,445	1%
Total nonoperating and other revenues	228,589	35%	247,824	40%
Total revenues	\$ 649,261	100%	\$ 617,752	100%

2011



2010



In fiscal year 2011, the University's total revenues increased by \$31.5 million from the previous fiscal year. Tuition revenues increased \$6.7 million primarily due to tuition rate increases. Grants and contracts increased \$15.9 million primarily due to an increase in federal grant revenues. Sales and services revenues increased \$29.1 million primarily due to an increase in interfund services provided (primarily due to the impact of the medical resident FICA refund described in Note 22) and an increase in supplemental Medicaid payments from the South Carolina Department of Health and Human Services (which are subsequently disbursed to UMA).

State appropriations, capital and non capital, decreased \$25.4 million primarily due to a beginning of the year State budget reduction and a decrease in the Disproportionate Share Program appropriation. State appropriations included \$18.6 million in fiscal year 2011 and \$28.8 million in fiscal year 2010 which was subsequently paid to the Authority as part of the Disproportionate Share Program administered by the South Carolina Department of Health and Human Services.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Gifts and grants increased \$4.0 million primarily due to an increase in endowment additions and a decrease in gifts and grants funding capital projects. Investment income increased \$3.6 million primarily due to earnings and realized and unrealized gains (losses) from endowments totaling \$7.7 million in fiscal year 2011 as compared to \$4.7 million in fiscal year 2010. Other nonoperating revenues decreased \$5.6 million due to the interest associated with the medical resident FICA refund described in Note 22

Operating Revenue by Source for the Component Units

Amounts in thousands

	Medical University Hospital Authority		University Medical Associates	
	2011	2010	2011	2010
Net patient service revenue	\$ 1,012,421	\$ 980,120	\$ 308,747	\$ 293,848
Educational agreements			4,982	5,409
Other operating revenue	15,366	17,323	8,406	12,491
Total operating revenue	<u>\$ 1,027,787</u>	<u>\$ 997,443</u>	<u>\$ 322,135</u>	<u>\$ 311,748</u>

Compared to fiscal year 2010, the Authority's net patient service revenue for fiscal year 2011 increased by \$32.3 million, or 3.3 percent. Gross patient charges increased by \$153.9 million, or 7.3 percent, from 2010 to 2011 due to increases in patient activity and comprehensive rate increases. Net revenue received from the Disproportionate Share (DSH) Program administered by the South Carolina Department of Health and Human Services decreased in 2011 to \$41.9 million from \$46.5 million in 2010. There can be no assurance that the Authority will continue to qualify for future participation in the DSH program or that the DSH program will not ultimately be discontinued or materially modified.

UMA's net patient service revenue increased \$14.9 million primarily due to an increase in patient volume and an increase in supplemental Medicaid funds, including \$4.6 million in excess of the related receivable at June 30, 2010. The increase in patient volume was due in part to the strategic hiring initiative, begun in fiscal year 2008, to increase the number of University faculty involved in clinical operations. Educational agreement revenue in support from the Authority for the ambulatory care and primary care programs decreased \$0.4 million in 2011 due to a corresponding reduction in ambulatory care expenses. Other operating revenue decreased \$4.1 million primarily due to a reclassification of various funds from the University and the Authority for medical directorships and Veteran's Administration services which are now presented as a reductions in salary expenses rather than revenue. Nonoperating revenues increased \$4.0 million primarily due to an increase in the carrying value of certain investment securities resulting from various factors which positively impacted the market for those securities.

Expenses

The University's total expenses were \$585.5 million in fiscal year 2011, up 31.6 million from \$553.9 million in fiscal year 2010. Non-operating expenses included in the University's total expenses amounted to \$10.3 million and \$10.2 million in fiscal year 2011 and 2010, respectively.

The University's operating expenses were \$575.2 million for the fiscal year ended June 30, 2011, an increase of \$31.5 million from fiscal year 2010. The increase of 5.8 percent resulted primarily from increases in compensation of \$26.8 million (9.3%) and depreciation of \$3.7 million (12.1%).

The operating expenses are reported by natural classification (object) in the financial statement and by functional classification in the Notes. The following tables and charts illustrate the University's operating expenses by the two classifications.

Operating Expenses by Object – The University

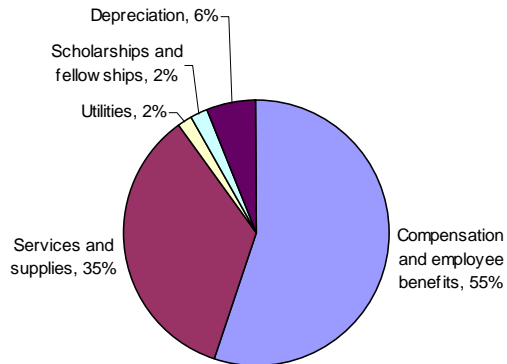
Amounts in thousands

	2011	Percent Of Total	2010	Percent Of Total
Compensation and employee benefits	\$ 315,643	55%	\$ 288,819	53%
Services and supplies	203,730	35%	204,134	38%
Utilities	11,868	2%	11,145	2%
Scholarships and fellowships	9,252	2%	8,614	2%
Depreciation	34,687	6%	30,947	5%
Total operating expenses	<u>\$ 575,180</u>	<u>100%</u>	<u>\$ 543,659</u>	<u>100%</u>

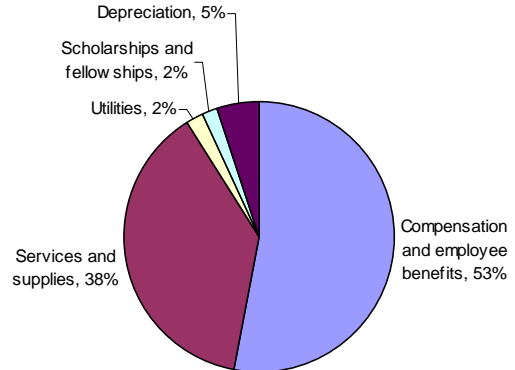
MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

2011



2010

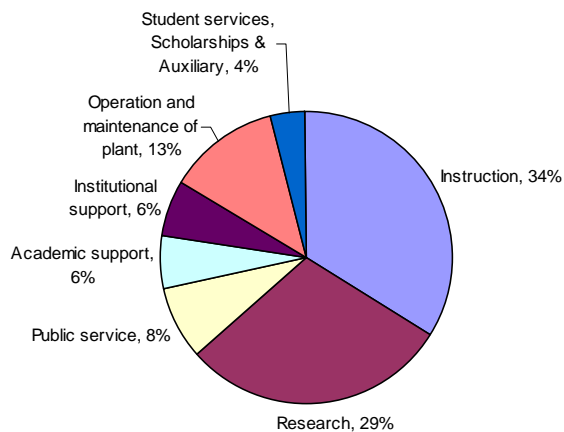


Operating Expenses by Function – The University

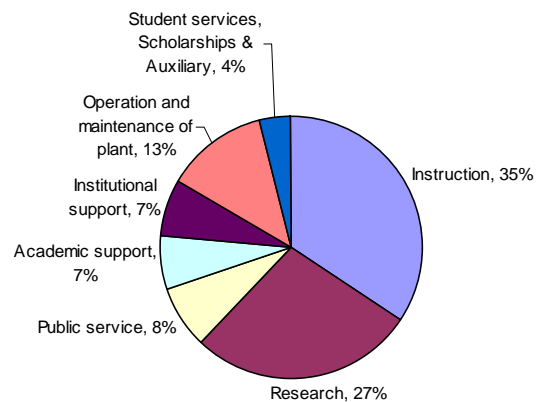
Amounts in thousands

	2011	Percent Of Total	2010	Percent Of Total
Instruction	\$ 195,634	34%	\$ 187,876	35%
Research	169,227	29%	148,542	27%
Public service	45,523	8%	43,018	8%
Academic support	33,035	6%	36,590	7%
Student services	8,596	1%	10,321	2%
Institutional support	36,793	6%	37,015	7%
Operation and maintenance of plant	72,371	13%	69,385	13%
Scholarships and fellowships	3,385	1%	3,176	1%
Auxiliary enterprises	10,616	2%	7,736	1%
Total operating expenses	<u>\$ 575,180</u>	<u>100%</u>	<u>\$ 543,659</u>	<u>100%</u>

2011



2010



Unaudited

The Authority's operating expenses increased by \$71.3 million, from \$908.2 million in 2010 to \$979.5 million in 2011. This 7.8 percent increase is primarily the result of increases in service and supplies, utilities, and interfund services used of \$36.7 million, or 8.3 percent, and compensation and employee benefits of \$32.7 million, or 7.9 percent. Supply costs and pharmaceutical costs continue to increase at rates exceeding those of general inflation; but in line relative to inflation rates in the healthcare industry. Depreciation and amortization expense increased slightly due to additional capital additions in fiscal year 2011.

UMA's operating expenses increased by \$4.4 million primarily due to an increase in departmental expenses related to additional physician compensation for new providers and fringe benefit costs. Nonoperating expenses decreased \$0.7 million due to a decrease in interest expense and a decrease in gifts to the Medical University of South Carolina Foundation.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity during the year. This statement aids in the assessment of the entity's ability to generate future net cash flows and to meet obligations and commitments as they come due. The University's primary sources of operating and noncapital related cash in fiscal 2011 were state appropriations, grants and contracts, sales and services of educational and other activities, and tuition and fees. Primary uses of these cash sources were salaries and benefits for faculty, staff, and student employees, and payments to suppliers of goods and services.

The statement is divided into five sections.

- ◆ The University's cash flows from operating activities include cash received for tuition and research grants and salaries paid to employees or payments to vendors. Since State appropriations and gifts are not considered operating revenues, operating activities of the University produced a net cash outflow of \$107.7 million.
- ◆ The University's non-capital financing activities, which include State appropriations received for operations and noncapital gifts and transfers, generated a net cash inflow of \$168.9 million.
- ◆ The University's capital and related financing activities include the proceeds received from the issuance of long-term debt obligations, capital grants and gifts received, repayment of debt, and acquisition of capital assets. Debt proceeds, capital appropriations, grants and gifts received in the current year were more than offset by capital expenditures and payments on debt, resulting in a net cash outflow of \$10.0 million.
- ◆ The University's investing activities consisted of \$2.9 million of earnings on investments and \$16.1 million of endowment corpus deposited with the Medical University of South Carolina Foundation.
- ◆ The last section of the statement reconciles the net cash provided or used by operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital Asset and Debt Activities

The following is a summary of capital asset and long-term debt activity for fiscal year 2011. More detailed information can be found in Note 5 (Capital Assets), Note 12 (Bonds and Notes Payable) and Note 13 (Lease Obligations) of the Notes to the Financial Statements.

Capital Assets, Net of Depreciation

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2011	2010	2011	2010	2011	2010
Land	\$ 11,646	\$ 11,646	\$ 6,093	\$ 6,093	\$ 7,438	\$ 7,453
Construction in progress	115,344	65,408	5,166	8,605	9,449	399
Land improvements	2,949	3,160	-	-	-	-
Buildings and improvements	377,225	395,852	406,049	417,870	33,784	36,213
Machinery and equipment	75,305	79,472	107,111	113,849	2,937	3,029
Vehicles	399	542	831	723	610	359
	<u>\$ 582,868</u>	<u>\$ 556,080</u>	<u>\$ 525,250</u>	<u>\$ 547,140</u>	<u>\$ 54,218</u>	<u>\$ 47,453</u>

The University

Capital additions, other than construction in progress, totaled \$14.2 million in fiscal year 2011 and consisted of renovations to administrative and laboratory space and investments in medical, scientific and laboratory equipment.

Significant items included in construction in progress are the Drug Discovery Building, and the Bioengineering Building. The University had outstanding commitments under construction contracts related to these and other projects of approximately \$14.5 million at June 30, 2011. These projects are being funded by bond proceeds, federal grants, state appropriations, restricted gifts, and unrestricted university funds.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Construction in Progress – The University

Amounts in thousands

Drug Discovery Building construction	\$ 50,454
Bioengineering Building construction	40,504
Energy performance contract	16,741
Other	7,645
	<u>\$ 115,344</u>

Medical University Hospital Authority

At the end of fiscal year 2011 the Authority had \$525.3 million invested in capital assets, net of accumulated depreciation. Capital additions in fiscal year 2011 of \$33.3 million were attributable primarily to increases in machinery and equipment and construction in progress.

University Medical Associates

UMA's investment in capital assets, net of accumulated depreciation as of June 30, 2011 was \$54.2 million. Significant capital additions in fiscal year 2011 included additional medical equipment and furnishings, and construction in progress related to a new medical office building being constructed to enable consolidation of specialty care practices.

The following table shows the amounts and types of bonds, notes, and capital leases outstanding as of June 30, 2011.

Bonds, Notes, Capital Lease Obligations, and Interfund Payables

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2011	2010	2011	2010	2011	2010
State institution bonds, net	\$ 52,042	\$ 36,517	\$ -	\$ -	\$ -	\$ -
State bond anticipation notes	30,000	30,000	-	-	-	-
Revenue bonds, net	34,785	35,900	441,245	451,562	-	-
Notes payable	7,882	14,374	25,353	38,530	21,728	24,376
Variable rate demand bonds	-	-	-	-	46,811	46,276
Capital lease obligations	1,555	1,899	-	-	-	28
Due to component unit	45,927	46,378	-	-	-	-
Interfund payables	29,006	32,045	-	-	-	-
	<u>\$ 201,197</u>	<u>\$ 197,113</u>	<u>\$ 466,598</u>	<u>\$ 490,092</u>	<u>\$ 68,539</u>	<u>\$ 70,680</u>

The University

Following is a brief explanation of each type of long-term debt with examples of the assets acquired and the funding source the University expects to use to service the debt.

State Institution Bonds (SIB)

These bonds require the University to pledge revenue from student tuition for the repayment of this debt. If the University fails to repay this debt, the State would repay the debt because these bonds are backed by the State's full faith, credit and taxing power. The proceeds from SIBs provided a portion of the funding for the Harper Student Center, the site for the Strom Thurmond Biomedical Research Facility, the Storm Eye Institute addition, the Children's Research Institute, and a number of major renovation projects. The University's SIBs are general obligation bonds of the State of South Carolina. Moody's Investors Services rates them as "Aaa". During the fiscal year ended June 30, 2011, the University issued \$19.0 in SIBs to fund various building renovation projects. At June 30, 2011, the net SIB payable totaled \$82.0 million and included a \$30 million State Bond Anticipation Note issued to help fund the construction of the School of Dental Medicine Building.

Revenue Bonds

In fiscal year 2007, the University issued a \$38 million revenue bond for the purpose of financing a new parking garage which opened in the Fall of 2008.

Notes Payable

On October 3, 2008, the Board of Trustees approved a resolution authorizing the University to use the South Carolina Master Lease Program for the purpose of financing the costs of purchasing and implementing energy conservation measures that will benefit both the University and the Authority with the understanding that debt service payments will be generated from the associated energy savings. Pursuant to this resolution, the University borrowed \$15,387,340 from Bank of America during fiscal year 2009.

Unaudited

Capital Leases

The University has outstanding capital leases with Medical University Facilities Corporation (MUFC), a blended component unit, for Harborview Office Tower and a portion of the Strom Thurmond Biomedical Research Center. Monthly payments are made to a financial institution as trustee under the leases. At June 30, 2011, the capital lease liability payable to MUFC totaled \$9.7 million. The University also has an outstanding capital lease with CHS Development Company (CHS), a blended component unit, for the College of Health Professions complex and a parking garage. Monthly payments are made to a financial institution as trustee under this lease. At June 30, 2011, the capital lease liability payable to CHS was \$19.3 million. The leases with these blended component units are considered Interfund Payables.

In fiscal year 2009, the University entered into capital leases with the Medical University of South Carolina Foundation (MUSCF), a discretely presented component unit, for a garage and two office buildings. As of June 30, 2011, the capital lease liability payable to MUSCF, which is reflected as Due to Component Unit, totaled \$45.9 million.

In addition, the University has \$1.6 million in capital leases payable at June 30, 2011 for various pieces of equipment.

Sources Other Than Debt

The University also acquires some of its capital assets from other sources such as:

- ◆ *Federal grants.* Grants were received from the federal government for some of the construction costs of the Hollings Cancer Center, the Drug Discovery and Biosciences Buildings, and the Bee Street Parking Garage. The University is not obligated to repay these monies.
- ◆ *State Capital Improvement Bonds.* The State issues these bonds and makes the proceeds available for the University to spend on approved projects. The University used capital improvement bond proceeds to partially fund the construction of the new College of Dental Medicine Building. The University is not obligated to repay these funds to the State, therefore, the debt is not recorded on the University's financial statements.
- ◆ *Research Infrastructure Bonds.* The State issues these bonds and makes the proceeds available for the University to spend on approved projects. The University is using research infrastructure bond proceeds to fund the construction of a new Drug Discovery Building and a Bioengineering Building. The University is not obligated to repay these funds to the State; therefore, the debt is not recorded in the University's financial statements.
- ◆ *Private Gifts and Grants.* Cash and other resources donated to the MUSC Foundation are periodically transferred to the University for capital projects.

Medical University Hospital Authority

During fiscal year 2008, the Authority completed the first phase of a phased approach replacement of much of its principal patient care facilities, a project planned for completion in stages over the next 20 years. Phase 1 of the project involved building a facility comprised of a four-story diagnostic and treatment facility, a seven-story hospitality (bed) tower, and a garden atrium uniting the two sections of the building. The new 641,000 square-foot facility was opened on February 4, 2008. No new clinical health services were added as a result of this phase of the project. There are 156 replacement beds involved. Preliminary discussions have recently begun for the next phase of replacement patient care facilities. The project scope of the next phase will be determined over the next 24 months and will include recommendations for future facility replacement projects.

University Medical Associates

At year-end, UMA had \$68.5 million in outstanding bonds, notes and capital lease obligations compared to \$70.7 million outstanding in the prior year.

Requests for Information

These financial statements are designed to provide a general overview of The Medical University of South Carolina and its component units' financial activities and to demonstrate the University's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Controller's Office, Medical University of South Carolina, 19 Hagood Avenue, Suite 505, MSC 817, Charleston, South Carolina, 29425. These financial statements may also be obtained from our website:

<http://academicdepartments.musc.edu/vpfa/financialreports>

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF NET ASSETS

June 30, 2011

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Interfund Capital Leases Elimination	Total Primary Government
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 102,689,083	\$ 31,371,340	\$ 112,379,783	\$ -	\$ -	\$ 246,440,206
Investments	-	-	53,500,437	-	-	53,500,437
Receivables, net	68,338,114	183,172,590	32,227,950	7,565	-	283,746,219
Student loans receivable	94,654	-	-	-	-	94,654
Due from other funds	-	12,778,233	17,347,198	-	-	30,125,431
Due from component units	2,941,746	-	386,510	-	-	3,328,256
Inventories	-	18,225,475	-	-	-	18,225,475
Prepaid items	6,742,340	7,031,555	338,226	156,349	-	14,268,470
Restricted assets						
Cash and cash equivalents	4,397,802	3,392,573	-	986,876	-	8,777,251
Investments	-	-	-	1,017,880	-	1,017,880
Due from component units	7,252,326	-	-	-	-	7,252,326
Interfund receivables	-	-	-	3,218,724	(3,218,724)	-
Student loans receivable	1,135,837	-	-	-	-	1,135,837
Other current assets	40,246	1,761,904	1,875,738	124,611	-	3,802,499
Total current assets	193,632,148	257,733,670	218,055,842	5,512,005	(3,218,724)	671,714,941
Noncurrent Assets						
Investments	-	-	9,114,600	-	-	9,114,600
Student loans receivable	549,993	-	-	-	-	549,993
Due from other funds	-	-	2,122,809	-	-	2,122,809
Restricted assets						
Cash and cash equivalents	53,613,483	53,635,054	-	4,902,032	-	112,150,569
Investments	-	40,214,032	-	213,000	-	40,427,032
Due from component units	65,499,347	-	-	-	-	65,499,347
Interfund receivables	-	-	-	25,787,362	(25,787,362)	-
Student loans receivable	13,196,213	-	-	-	-	13,196,213
Prepaid items	-	-	9,179,347	1,802,550	-	10,981,897
Investment in partnerships	-	-	2,083,688	-	-	2,083,688
Capital assets, net of accumulated depreciation	582,867,561	525,250,005	54,217,977	-	-	1,162,335,543
Fair value of derivative instruments	-	-	2,915,347	-	-	2,915,347
Other noncurrent assets	777,192	15,969,788	603,458	791,530	-	18,141,968
Total noncurrent assets	716,503,789	635,068,879	80,237,226	33,496,474	(25,787,362)	1,439,519,006
Total assets	910,135,937	892,802,549	298,293,068	39,008,479	(29,006,086)	2,111,233,947
DEFERRED OUTFLOWS						
Deferred outflows	-	2,560,837	741,575	161,857	-	3,464,269
Total assets and deferred outflows	910,135,937	895,363,386	299,034,643	39,170,336	(29,006,086)	2,114,698,216
LIABILITIES						
Current liabilities						
Payables and accrued liabilities	26,976,484	103,872,993	25,735,825	722,481	-	157,307,783
Due to other funds	29,324,498	-	800,933	-	-	30,125,431
Due to component unit	486,949	-	-	-	-	486,949
Deferred revenues	23,910,237	-	-	12,653	-	23,922,890
Interfund payables	3,218,724	-	-	-	(3,218,724)	-
Long-term liabilities	50,174,704	24,627,008	6,140,582	3,588,326	-	84,530,620
Other current liabilities	5,681,218	-	-	-	-	5,681,218
Total current liabilities	139,772,814	128,500,001	32,677,340	4,323,460	(3,218,724)	302,054,891
Noncurrent liabilities						
Interfund payables	25,787,362	-	-	-	(25,787,362)	-
Due to other funds	-	2,122,809	-	-	-	2,122,809
Due to component unit	45,440,151	-	-	-	-	45,440,151
Federal loan program liability	13,849,698	-	-	-	-	13,849,698
Long-term liabilities	103,087,666	441,970,823	66,232,471	32,615,403	-	643,906,363
Fair value of derivative instruments	-	2,560,837	741,575	161,857	-	3,464,269
Total noncurrent liabilities	188,164,877	446,654,469	66,974,046	32,777,260	(25,787,362)	708,783,290
Total liabilities	327,937,691	575,154,470	99,651,386	37,100,720	(29,006,086)	1,010,838,181
DEFERRED INFLOWS						
Deferred inflows	-	-	1,219,347	-	-	1,219,347
Total liabilities and deferred inflows	327,937,691	575,154,470	100,870,733	37,100,720	(29,006,086)	1,012,057,528
NET ASSETS						
Invested in capital assets, net of related debt	399,743,135	78,732,089	17,451,764	-	-	495,926,988
Restricted						
Nonexpendable	66,754,136	-	-	-	-	66,754,136
Expendable for						
Education	9,800,799	-	-	-	-	9,800,799
Loans	3,727,017	-	-	-	-	3,727,017
Capital projects	10,881,686	-	-	-	-	10,881,686
Debt service	19,495,304	92,971,834	-	2,069,616	-	114,536,754
Unrestricted	71,796,169	148,504,993	180,712,146	-	-	401,013,308
Total net assets	\$ 582,198,246	\$ 320,208,916	\$ 198,163,910	\$ 2,069,616	\$ -	\$ 1,102,640,688

The accompanying notes are an integral part of this financial statement.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2011

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Interfund Capital Leases Elimination	Total Primary Government
Operating revenues						
Student tuition and fees (net of scholarship allowances of \$ 3,431,002)	\$ 69,196,854	\$ -	\$ -	\$ -	\$ -	\$ 69,196,854
Federal operating grants and contracts	154,409,004	-	-	-	-	154,409,004
State operating grants and contracts	4,761,167	-	-	-	-	4,761,167
Local government operating grants and contracts	11,235	-	-	-	-	11,235
Nongovernmental operating grants and contracts	21,432,195	-	-	-	-	21,432,195
Interfund services provided	83,646,050	-	-	-	-	83,646,050
Sales and services of educational and other activities	66,505,585	-	-	-	-	66,505,585
Net patient service revenue	-	1,012,420,923	308,747,008	-	-	1,321,167,931
Ambulatory care clinical education agreement	-	-	4,982,417	-	-	4,982,417
Auxiliary enterprises	11,038,460	-	-	-	-	11,038,460
Interest income (used as security for revenue bonds and notes)	-	-	-	1,757,094	(1,585,621)	171,473
Other operating revenues	9,671,908	15,365,441	8,405,681	33,057	-	33,476,087
Total operating revenues	420,672,458	1,027,786,364	322,135,106	1,790,151	(1,585,621)	1,770,798,458
Operating expenses						
Compensation and employee benefits	315,642,495	444,968,164	187,472,554	-	-	948,083,213
Services and supplies	203,729,845	383,496,978	49,462,895	-	-	636,689,718
Utilities	11,867,985	12,892,345	547,140	-	-	25,307,470
Interfund services used	-	83,646,050	-	-	-	83,646,050
Scholarships and fellowships	9,251,764	-	-	-	-	9,251,764
Interest expense	-	-	-	1,866,838	-	1,866,838
Depreciation and amortization	34,687,640	54,466,480	3,064,786	280,959	-	92,499,865
Total operating expenses	575,179,729	979,470,017	240,547,375	2,147,797	-	1,797,344,918
Operating income (loss)	(154,507,271)	48,316,347	81,587,731	(357,646)	(1,585,621)	(26,546,460)
Nonoperating revenues (expenses)						
State appropriations	81,659,189	-	-	-	-	81,659,189
Gifts and grants	27,448,616	-	-	-	-	27,448,616
Gifts made	-	-	(9,461,109)	-	-	(9,461,109)
Refunds to grantors	(319,482)	-	-	-	-	(319,482)
Investment income	9,843,375	1,665,581	9,254,546	-	-	20,763,502
Interest expense	(9,069,920)	(26,187,856)	(4,126,275)	-	1,585,621	(37,798,430)
Loss on sale of capital assets	(747,843)	-	-	-	-	(747,843)
Transfers to other state funds	(185,167)	-	-	-	-	(185,167)
Other nonoperating revenues	1,805,494	-	3,921,465	-	-	5,726,959
Net nonoperating revenues (expenses)	110,434,262	(24,522,275)	(411,373)	-	1,585,621	87,086,235
Income (loss) before other revenues, expenses, gains, losses, and transfers	(44,073,009)	23,794,072	81,176,358	(357,646)	-	60,539,775
Capital appropriations	23,637,811	-	-	-	-	23,637,811
Capital grants and gifts	24,402,054	-	-	-	-	24,402,054
Additions to permanent endowments	14,293,728	-	-	-	-	14,293,728
Interfund transfers	45,498,981	-	(46,159,992)	661,011	-	-
Change in net assets	63,759,565	23,794,072	35,016,366	303,365	-	122,873,368
Net assets at beginning of year	518,438,681	296,414,844	163,147,544	1,766,251	-	979,767,320
Net assets at end of year	\$ 582,198,246	\$ 320,208,916	\$ 198,163,910	\$ 2,069,616	\$ -	\$ 1,102,640,688

The accompanying notes are an integral part of this financial statement.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF CASH FLOWS
For the year ended June 30, 2011

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Interfund Capital Leases Elimination	Total Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES						
Student tuition and fees	\$ 70,428,757	\$ -	\$ -	\$ -	\$ -	\$ 70,428,757
Grants and contracts	186,852,278	-	-	-	-	186,852,278
Auxiliary enterprise charges	10,986,078	-	-	-	-	10,986,078
Receipts from interfund services provided	88,292,248	-	-	-	-	88,292,248
Receipts from services of educational activities	74,966,050	-	-	-	-	74,966,050
Receipts from patients and third-party payors	-	981,840,717	316,019,307	-	-	1,297,860,024
Payments to employees	(314,398,665)	(440,717,326)	(184,679,197)	-	-	(939,795,188)
Payments to suppliers	(224,241,568)	(390,958,752)	(51,590,864)	-	-	(666,791,184)
Payments for scholarships and fellowships	(9,251,764)	-	-	-	-	(9,251,764)
Payments for interfund services provided	-	(88,292,248)	-	-	-	(88,292,248)
Loans issued to students	(2,206,417)	-	-	-	-	(2,206,417)
Collection of loans to students	1,798,335	-	-	-	-	1,798,335
Student loan program receipts	35,017,401	-	-	-	-	35,017,401
Student loan program disbursements	(35,026,891)	-	-	-	-	(35,026,891)
Other receipts	10,672,137	14,005,481	18,497,345	-	-	43,174,963
Other payments	(1,583,029)	-	-	-	-	(1,583,029)
Net cash provided (used) by operating activities	(107,695,050)	75,877,872	98,246,591	-	-	66,429,413
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
State appropriations	81,659,189	-	-	-	-	81,659,189
Interfund transfers received	46,178,530	-	-	691,333	-	46,869,863
Interfund transfers paid	(691,333)	-	(46,159,992)	(18,538)	-	(46,869,863)
Transfers to other state funds	(182,476)	-	-	-	-	(182,476)
Gifts made	-	-	(9,461,109)	-	-	(9,461,109)
Gifts and grants received	42,362,695	-	-	-	-	42,362,695
Refunds to grantors	(319,482)	-	-	-	-	(319,482)
Interest paid on noncapital debt	(69,657)	-	-	-	-	(69,657)
Principal paid on bonds and notes payable	-	-	(1,955,656)	-	-	(1,955,656)
Interest paid on bonds and notes payable	-	-	(1,266,539)	-	-	(1,266,539)
Net cash provided (used) by noncapital financing activities	168,937,466	-	(58,843,296)	672,795	-	110,766,965
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	48,950,000	-	62,085,000	-	-	111,035,000
Capital appropriations	31,024,026	-	-	-	-	31,024,026
Capital grants and gifts received	22,196,193	-	-	-	-	22,196,193
Proceeds from sale of capital assets	1,347,244	9,775	-	-	-	1,357,019
Purchases of capital assets	(58,905,287)	(36,168,027)	(9,005,578)	-	-	(104,078,892)
Swap termination payment	-	-	(1,000,000)	-	-	(1,000,000)
Principal paid on capital debt and leases	(45,922,707)	(23,907,485)	(64,019,290)	(3,397,000)	-	(137,246,482)
Interest paid on capital debt and leases	(8,607,655)	(25,250,930)	(1,206,197)	(1,923,112)	-	(36,987,894)
Payment of fees and issuance cost	(89,552)	(2,005,880)	(313,080)	-	-	(2,408,512)
Net cash used by capital and related financing activities	(10,007,738)	(87,322,547)	(13,459,145)	(5,320,112)	-	(116,109,542)
CASH FLOWS FROM INVESTING ACTIVITIES						
Collection of interfund receivables	-	-	-	3,027,674	-	3,027,674
Interest received on interfund receivables	-	-	-	1,581,970	-	1,581,970
Purchases of investments	-	(10,209,515)	(41,046,439)	(10,298,926)	-	(61,554,880)
Proceeds from sales and maturities of investments	-	6,033,927	25,785,308	12,830,225	-	44,649,460
Distributions from investments	-	-	337,264	-	-	337,264
Deposits of endowment corpus with MUSC Foundation	(16,079,799)	-	-	-	-	(16,079,799)
Interest on investments	2,937,273	1,654,347	1,419,169	258,163	-	6,268,952
Net cash provided (used) by investing activities	(13,142,526)	(2,521,241)	(13,504,698)	7,399,106	-	(21,769,359)
Net increase (decrease) in cash and cash equivalents	38,092,152	(13,965,916)	12,439,452	2,751,789	-	39,317,477
Cash and cash equivalents at beginning of year	122,608,216	102,364,883	99,940,331	3,137,119	-	328,050,549
Cash and cash equivalents at end of year	\$ 160,700,368	\$ 88,398,967	\$ 112,379,783	\$ 5,888,908	\$ -	\$ 367,368,026

The accompanying notes are an integral part of this financial statement.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended June 30, 2011

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Interfund Capital Leases Elimination	Total Primary Government
Cash and cash equivalents as reported in the following Statement of Net Assets sections						
Current assets	\$ 102,689,083	\$ 31,371,340	\$ 112,379,783	\$ -	\$ -	\$ 246,440,206
Current restricted assets	4,397,802	3,392,573	-	986,876	-	8,777,251
Noncurrent restricted assets	53,613,483	53,635,054	-	4,902,032	-	112,150,569
Total cash and cash equivalents	<u>\$ 160,700,368</u>	<u>\$ 88,398,967</u>	<u>\$ 112,379,783</u>	<u>\$ 5,888,908</u>	<u>\$ -</u>	<u>\$ 367,368,026</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ (154,507,271)	\$ 48,316,347	\$ 81,587,731	\$ (357,646)	\$ (1,585,621)	\$ (26,546,460)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization	34,687,640	54,466,480	3,064,786	280,959	-	92,499,865
Provision for bad debts	-	79,601,372	23,143,834	-	-	102,745,206
Rental income, net	-	-	4,992,227	-	-	4,992,227
Other	-	-	(6,597)	-	-	(6,597)
Interest income	-	-	-	(1,790,151)	1,585,621	(204,530)
Interest expense	-	-	-	1,866,838	-	1,866,838
Loss on sale of equipment	-	2,030,531	-	-	-	2,030,531
Changes in assets and liabilities						
Receivables	10,581,305	(105,255,824)	(22,455,849)	-	-	(117,130,368)
Student loans receivable	(108,308)	-	-	-	-	(108,308)
Due from other funds	-	(3,855,000)	5,414,279	-	-	1,559,279
Due from component unit	(411,891)	12,770	(185,973)	-	-	(585,094)
Inventories	-	(169,287)	-	-	-	(169,287)
Prepaid items	(212,184)	(541,569)	188,226	-	-	(565,527)
Other assets	31,000	(1,131,323)	(593,348)	-	-	(1,693,671)
Payables and accrued liabilities	(4,329,746)	2,335,626	2,342,581	-	-	348,461
Accrued compensated absences	1,400,462	-	271,637	-	-	1,672,099
Deferred revenues	5,833,836	-	-	-	-	5,833,836
Due to other funds	(2,141,238)	67,749	514,214	-	-	(1,559,275)
Federal loan program liability	163,419	-	-	-	-	163,419
Other liabilities	1,317,926	-	(31,157)	-	-	1,286,769
Net cash provided (used) by operating activities	<u>\$ (107,695,050)</u>	<u>\$ 75,877,872</u>	<u>\$ 98,246,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,429,413</u>
Noncash transactions						
Equipment acquired via capital leases	\$ 988,037	\$ -	\$ -	\$ -	\$ -	\$ 988,037
Donated equipment	1,032,377	-	-	-	-	1,032,377
Non cash interfund transfers	11,784	-	-	(11,784)	-	-
Increase in fair market value of investments	-	-	7,473,064	-	-	7,473,064
Prorata income from joint ventures	-	-	265,627	-	-	265,627
Total noncash transactions	<u>\$ 2,032,198</u>	<u>\$ -</u>	<u>\$ 7,738,691</u>	<u>\$ (11,784)</u>	<u>\$ -</u>	<u>\$ 9,759,105</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF FINANCIAL POSITION
MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION
 Nongovernmental Discretely Presented Component Unit
 June 30, 2011

ASSETS

Cash and cash equivalents	\$ 8,090,103
Receivables:	
Accounts and other receivables	65,041
Unconditional promises to give receivable, net	14,426,689
Investments	291,965,611
Funds held in trust by the Foundation	4,384,583
Funds held in trust by others	2,234,254
Income producing property	81,231,245
Property and equipment, net	436,466
Other assets	18,912
Total assets	<u><u>\$ 402,852,904</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 3,250,655
Accrued interest payable	7,321,791
Annuities payable	4,690,215
Notes payable to primary government	65,499,347
Notes and bonds payable	47,240,684
Interest rate swap	265,831
Deferred rent	10,202,351
Unearned income	500,000
Contributions payable to primary government	17,852,400
Total liabilities	<u>156,823,274</u>

Net Assets:

Unrestricted:	
Undesignated	13,188,644
Designated for primary government programs	18,793,848
Total unrestricted	<u>31,982,492</u>
Temporarily restricted	108,684,144
Permanently restricted	105,362,994
Total net assets	<u>246,029,630</u>
Total liabilities and net assets	<u><u>\$ 402,852,904</u></u>

The accompanying notes are an integral part of this financial statement.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF ACTIVITIES
MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION
Nongovernmental Discretely Presented Component Unit
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support				
Contributions, net of gift management fees	\$ 817,450	\$ 12,912,730	\$ 3,713,091	\$ 17,443,271
Interest and dividends, net	971,015	2,993,527	-	3,964,542
Net unrealized and realized gain	4,086,945	26,145,886	-	30,232,831
Unrealized loss on interest rate swap	(265,831)	-	-	(265,831)
Special events revenue	10,480	591,150	159	601,789
Rental income	6,541,100	34,344	30,597	6,606,041
Loss on disposal of property held for sale and equipment	(432)	(159,699)	-	(160,131)
Change in value of split-interest agreements	-	(539,967)	-	(539,967)
Other income	30,300	5,745,547	3,950,949	9,726,796
	<u>12,191,027</u>	<u>47,723,518</u>	<u>7,694,796</u>	<u>67,609,341</u>
Net assets released from restrictions:				
Transfers	(966,117)	(848,955)	1,815,072	-
Payments of recurring management fees	1,902,704	(1,902,704)	-	-
Program restrictions satisfied	<u>16,236,623</u>	<u>(16,236,623)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>29,364,237</u>	<u>28,735,236</u>	<u>9,509,868</u>	<u>67,609,341</u>
Expenses and losses				
Program expenses	25,250,403	-	-	25,250,403
Supporting services:				
General and administrative	1,380,972	-	-	1,380,972
Fund-raising	<u>2,389,492</u>	<u>-</u>	<u>-</u>	<u>2,389,492</u>
Total expenses	<u>29,020,867</u>	<u>-</u>	<u>-</u>	<u>29,020,867</u>
Changes in net assets	343,370	28,735,236	9,509,868	38,588,474
Net assets at beginning of year	<u>31,639,122</u>	<u>79,948,908</u>	<u>95,853,126</u>	<u>207,441,156</u>
Net assets at end of year	<u>\$ 31,982,492</u>	<u>\$ 108,684,144</u>	<u>\$ 105,362,994</u>	<u>\$ 246,029,630</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF FINANCIAL POSITION
MUSC FOUNDATION FOR RESEARCH DEVELOPMENT
 Nongovernmental Discretely Presented Component Unit
 June 30, 2011

ASSETS

Cash and cash equivalents	\$	133,508
Interest receivable		3,312
Accounts receivable		578,906
Prepaid expenses		54,938
Investments		286,019
Property and equipment, net		6,063
Total assets	\$	<u>1,062,746</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	336,730
Accrued expenses		57,048
Due to primary government		225,892
Unearned revenue and deposits		78,888
Total liabilities		<u>698,558</u>

Net Assets

Unrestricted		<u>364,188</u>
Total liabilities and net assets	\$	<u>1,062,746</u>

The accompanying notes are an integral part of this financial statement.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF ACTIVITIES
MUSC FOUNDATION FOR RESEARCH DEVELOPMENT
Nongovernmental Discretely Presented Component Unit
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
State grants and contracts	\$ 1,386,918	\$ -	\$ 1,386,918
Corporate contracts and awards	165,621	16,112	181,733
Program contributions	170,243	-	170,243
License fees and royalties	431,242	-	431,242
Interest and dividend income	12,674	-	12,674
Net unrealized and realized gain (loss) on investments	(4,413)	-	(4,413)
Registration and seminar fees	79,051	-	79,051
Subtotal	2,241,336	16,112	2,257,448
Net assets released from restrictions			
Program restrictions satisfied	16,112	(16,112)	-
Total revenues, gains, and other support	2,257,448	-	2,257,448
Expenses			
Program services			
Research	104,407	-	104,407
Training	175,314	-	175,314
Technology transfer activity	942,267	-	942,267
Residuals	38,538	-	38,538
Total program expenses	1,260,526	-	1,260,526
Supporting services			
Management and general:			
Supporting operations	919,428	-	919,428
Total expenses	2,179,954	-	2,179,954
Changes in net assets	77,494	-	77,494
Net assets at beginning of year	286,694	-	286,694
Net assets at end of year	\$ 364,188	\$ -	\$ 364,188

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Medical University of South Carolina (the University), established in 1824, is a public institution of higher learning, the purpose of which is to preserve and optimize human life in South Carolina and beyond. The University provides an environment for learning and discovery through education of health care professionals and biomedical scientists, research in the health sciences, and provision of comprehensive health care.

The University is a part of the primary government of the State of South Carolina. The University and its blended component units are reported in the State's higher education fund and other enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally, all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoints board members and budgets a significant portion of the University's funds.

Financial Statement Presentation

The financial statements of the University have been prepared in accordance with U.S. generally accepted accounting principles, as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, where applicable.

Reporting Entity

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Based on the criteria provided by GASB Statement No. 39, the financial statements include the accounts of the University, as the primary government, and the accounts of the following entities as component units.

Blended Component Units

The University's blended component units, although legally separate from the University, are so intertwined with it that they are, in substance, the same as the primary entity. The Medical University Hospital Authority (the Authority), University Medical Associates (UMA), Medical University Facilities Corporation (MUFC), and CHS Development Company (CHS) are considered to be governmental entities that conduct business-type activities. Their balances and transactions are blended with those of the University and reported as if they were balances and transactions of the primary entity. The Authority and UMA are reported as major funds and MUFC and CHS are reported as nonmajor funds.

Major Funds

The Medical University Hospital Authority (the Authority) was created on June 16, 2000, for the purpose of managing and operating the Medical University Hospitals and Clinics. The Authority is a component unit of the University as defined by the provisions of GASB Statement No. 14. The Authority's component unit relationship to the University arises principally from the Authority's financial accountability to the University. In particular, the legislation establishing the Authority as a stand-alone healthcare system requires that the members of the University's Board of Trustees also constitute the Board of Trustees of the Authority. As required by GASB Statement No. 14, the Authority's financial activity is blended with the University's activity. Copies of the separately issued financial statements of the Authority can be obtained by sending a request to the following address: Medical University Hospital Authority, Chief Financial Officer, P.O. Box 250332, Charleston, SC 29425.

The MUFC Central Energy Plant, LLC (CEP), a single member LLC disregarded for tax purposes, is a conduit debt issuer established for the benefit of the Authority. As such, CEP is fiscally dependent on the Authority and, as required by applicable GASB principles, is considered a blended component unit of the Authority. The financial activities of CEP are blended into the financial statements of the Authority. CEP does not issue separate financial statements.

University Medical Associates of The Medical University of South Carolina (UMA) was organized as a non-profit corporation under the laws of South Carolina on June 3, 1991 and has received tax-exempt status recognition from the Internal Revenue Service. UMA was established by the Board of Trustees of the Medical University of South Carolina to benefit the programs and further the mission of the University. UMA bills, collects, and administers all clinical income generated by its participating physicians and provides the full-time professional clinical faculty of the University and other health professionals with the development of group practice arrangements. UMA operates as a multi-specialty group practice of medicine and related services in the furtherance of medicine, medical research, and

education. UMA is considered a component unit because the University is financially accountable for UMA, has appointment authority over a majority of the UMA board, and is able to affect UMA's operations. UMA is a blended component unit because it almost exclusively benefits the University even though UMA does not provide all of its services directly to the University. The bylaws of UMA provide for all of its assets to be transferred to the University upon its dissolution.

UMA has formed for-profit and nonprofit subsidiaries for the purpose of creating a primary care network by establishing satellite and affiliate offices and contracting with area physicians to provide primary care and other services. Carolina Family Care, Inc. (CFC) and Carolina Primary Care Physicians, P.A. (CPCP) are organized as for-profit corporations under South Carolina law, whereas Carolina Health Management Services (CHMS) is organized as a nonprofit public benefit corporation. Since these companies serve an essentially identical purpose, all financial activities of these companies are blended into the financial statements of UMA. Some of UMA's component units are income taxable under state and federal law. UMA's component units do not issue separate financial statements.

UMA is financially accountable for its component units because UMA is able to impose its will on the organizations, there is a potential for the organizations to provide specific financial benefits to or impose specific financial burdens on UMA, and there is a fiscal dependency by the organizations on UMA. As required by U.S. generally accepted accounting principles, the University's financial statements include UMA and its component units. Copies of the separately issued financial statements of UMA can be obtained by sending a request to the following address: University Medical Associates, 1180 Sam Rittenberg Blvd., Suite 355, Charleston, SC 29407.

Nonmajor Funds

Medical University Facilities Corporation (MUFC) is a nonprofit corporation established in 1992 to obtain the financing for the University to purchase land, an office building, and a parking garage. A majority of the members of the Board of Directors of MUFC are employees of the University or members of the University's Board of Trustees. The agreement between the University and MUFC requires the University to pay all costs incurred by MUFC. MUFC is considered to be a component unit because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. MUFC is a blended component unit since its only purpose is to provide financing services to the University. MUFC does not issue separate financial statements.

CHS Development Company (CHS) is a nonprofit corporation organized under the laws of South Carolina on August 27, 2002 to develop and lease property for the University. The development of the property furthers the public educational goals of the University by providing necessary classroom, office, and parking space. CHS is considered to be a component unit because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. CHS is a blended component unit since its only purpose is to provide financing services to the University. CHS does not issue separate financial statements.

Discretely Presented Component Units

Based on the criteria in GASB Statement No. 39, the University reports the Medical University of South Carolina Foundation (MUSCF) and the MUSC Foundation for Research Development (MFRD) as discretely presented component units in its financial statements.

The Medical University of South Carolina Foundation (MUSCF) was incorporated in July 1966 under the laws of South Carolina as an educational, charitable, eleemosynary foundation to promote educational, research, clinical and other facilities and programs of the University. In 2005, MUSCF expanded its purpose by amending its bylaws to promote the same types of programs through the Authority. MUSCF acts primarily as a fund-raising organization to supplement the resources that are available to the University and the Authority in support of its programs. Although the University does not control the timing or amount of receipts from MUSCF, the majority of resources or income thereon that MUSCF holds and invests is restricted by the donors for support of the activities of the University.

The MUSCF reporting entity includes the Parking Garage Associates, LLC, (PGA), 135 Cannon Street, LLC, and 55 Bee Street, LLC, all of which are single member limited liability companies and wholly-owned subsidiaries of MUSCF. PGA owns and leases a parking garage to the University. 135 Cannon Street, LLC owns and leases an office building and parking lot to the University. 55 Bee Street, LLC owns and leases an office building to the University.

Because the restricted resources held by MUSCF can only be used by, or for the benefit of the University or the Authority, and because if MUSCF is dissolved, its assets shall be transferred to the University, MUSCF is considered a component unit of the University and is discretely presented in the University's financial statements. Copies of the separately issued financial statements of the MUSCF can be obtained by sending a request to the following address: MUSC Foundation, 18 Bee Street, P.O. Box 250450, Charleston, SC 29425-4500.

MUSC Foundation for Research Development (MFRD) was incorporated in March 1995 as a direct support organization for the University. The mission of MFRD is to support the educational, research, and health care mission of the University by fostering creativity and innovation. Additionally, MFRD is charged with providing the mechanisms by which the University's scientific discoveries, inventions and processes may be developed, applied, or patented, and the means by which funds generated by such discoveries or patents can be used to stimulate and promote further investigation and research at the University.

Based on its close relationship with the University, MFRD is deemed to be financially integrated with the University; therefore, MFRD is reported as a discretely presented component unit of the University. Copies of the separately issued financial statements of MFRD can be obtained by ending a request to the following address: MUSC Foundation for Research Development, MSC 828, 19 Hagood Avenue, Suite 909, Charleston, SC 29425.

Basis of Accounting

For financial reporting purposes, the University, along with its governmental component units, is considered a special purpose government engaged only in business-type activities. Accordingly, the financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Student tuition is presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to recipients are presented as scholarship and fellowship expenses. All significant intrafund transactions and balances have been eliminated.

The University and its governmental component units apply all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, have elected to apply only those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 which do not conflict with GASB standards.

The Medical University of South Carolina Foundation and MUSC Foundation for Research Development are private nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences have been made to the financial information for MUSCF and MFRD in the University's financial reporting entity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the University and its governmental component units generally consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. However, guaranteed investment contracts held by the Authority and the nonmajor funds are classified as short-term investments. Funds invested through the State's internal cash management pool administered by the State Treasurer's Office are considered cash equivalents because the pool operates as a demand deposit account.

Investments and Investment Income

Investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investment income or loss from investment (including realized and unrealized gains and losses on investments and interest) is reported as nonoperating revenue.

Receivables

The University's receivables consist primarily of tuition and fee charges to students and amounts due from government and private sources in connection with reimbursement of allowable expenses under grants and contracts.

Pursuant to an amendment to the South Carolina Medicaid Plan, approved by the US Department of Health and Human Services on September 20, 2002 to be effective retroactive to October 1, 2001, the University receives certain supplemental Medicaid payments for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. As of June 30, 2011, the University has recorded a net receivable from Medicaid of \$14,741,080.

The Authority and UMA grant credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements.

Bad debt and contractual allowances for loans receivable and various accounts receivable, including patient accounts receivable, for the University, the Authority, and UMA are established based upon losses and adjustments experienced in prior years and evaluations of the current account portfolios.

Inventories

The Authority values supply inventories at the lower of cost, using the first-in first-out method, or replacement value.

Prepaid Items

Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, prepaid items consist primarily of insurance premiums, subscriptions, maintenance contracts, and deposits on equipment not yet received. The Authority's prepaid items consist primarily of insurance premiums, equipment maintenance contracts, rent, and operating leases. UMA's prepaid items consist of prepaid rent and an other postemployment benefit (OPEB) asset (see Note 7).

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, if received as a gift, at fair market value at the date of donation. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years, and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. The University and the Authority capitalize, as a component of construction in progress, interest cost in excess of earnings on debt associated with the capital projects. Interest amounts capitalized in fiscal year 2011 were approximately \$559,000 for the University and approximately \$515,000 for the Authority. Financing costs and a deferred accounting loss on refunding are amortized by the Authority over the terms of the related indebtedness using the interest method. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 50 years for buildings, building services, and land improvements, and 3 to 20 years for machinery, equipment, vehicles, and software.

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability is recorded as accrued compensated absences in the Statement of Net Assets (see Notes 10 and 11) and the related expense is a component of compensation and employee benefits expense in the Statement of Revenues, Expenses and Changes in Net Assets.

Deferred Revenues

Deferred revenues include net tuition and fees received prior to the end of the fiscal year which relate to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Derivative Instruments

Effective July 1, 2009, the University and its blended units adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which requires recognition of derivative instruments on the Statement of Net Assets at fair value.

The University and its blended units classify derivative instruments into hedging derivative instruments and investment derivative instruments. If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the Statement of Net Assets as either deferred inflows or deferred outflows. If the derivative is classified as an investment derivative instrument, changes in its fair value are reported in investment income on the Statement of Revenues, Expenses and Changes in Net Assets in the period in which the changes occur. The University and its blended units formally assess the effectiveness of hedging derivative instruments at each year-end.

The impact of GASB Statement No. 53 is described in Note 12 (Bonds and Notes Payable) in conjunction with the debt instrument to which the derivative instrument relates.

Net Assets

The net assets of the University and the governmental component units are classified as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt incurred to acquire or construct the assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – nonexpendable - Nonexpendable restricted net assets consist of endowment funds which donors or other outside sources have stipulated, as a condition of the gift instrument, must be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net assets – expendable - Restricted expendable net assets include resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net assets - Unrestricted net assets represent resources that are not subject to externally imposed restrictions and may be used to meet current expenses for any purpose. These resources also include those of auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred for a purpose for which both restricted and unrestricted resources are available, the University policy is to first apply the restricted resources then the unrestricted resources.

Classification of Revenues and Expenses

The University and the governmental component units have classified revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues of the University include: (1) tuition and fees received in exchange for providing educational services to students; (2) grants and contracts that are essentially the same as contracts for services and that finance programs the University would not otherwise undertake; and (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University. Operating expenses primarily consist of payments of compensation and employee benefits and purchases of services and supplies.

For purposes of presentation, transactions deemed by the Authority to be ongoing, major or central to the provision of health care services are reported as operating revenues and operating expenses. Peripheral or incidental transactions are reported as nonoperating revenues and expenses. The principal operating revenues of both the Authority and UMA are patient services revenues.

MUFC and CHS report interest income and interest expense as operating revenue and expense because investing and financing constitute their principal ongoing operations.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, contributions and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes, State appropriations, investment income (except for MUFC and CHS), and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34. The principal nonoperating expenses are interest (except for MUFC and CHS), refunds to grantors, transfers to other State funds and gifts made.

Scholarship Allowances

Student tuition and fee revenues are recorded net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. A scholarship allowance is defined as the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student and/or third parties making payments on behalf of the student.

Net Patient Service Revenue

The Authority and UMA have agreements with third party payors including Medicare and Medicaid that provide for reimbursement at amounts different from established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors, and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. UMA is reimbursed by its major insurers (Medicare, Medicaid, Blue Cross, etc.) based upon a fee schedule it has developed for physician services. These insurers audit UMA's claims at various times during the year.

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from seminar fees, clinic services, pharmacy sales, and sales of other services. This category includes supplemental Medicaid payments received as reimbursement to providers associated with teaching hospitals and clinics.

Interfund Transfers and Balances

Transfers of funds between blended component units are accounted for as Interfund Transfers. The principal purpose of Interfund Transfers is to support the academic department activities of the University.

Transfers of funds to entities external to the Primary Government are presented as Transfers to Other State Funds.

Amounts owed to (by) the Primary Government by (to) discretely presented component units are presented as Due From (To) Component Unit(s). Activities between blended component units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are presented as Interfund Receivables and Interfund Payables. All other outstanding balances between blended component units, which are primarily related to services provided or used, are presented as Due to/from Other Funds.

Charity Care

The Authority and UMA provide care to patients who meet certain criteria under charity care policies without charge or at amounts less than established rates. Since management does not expect payment for charity care, the estimated charges are excluded from revenue.

Income Taxes

The University and the Authority, as political subdivisions of the State of South Carolina, are exempt from federal income taxes. The income of the University is exempt under Section 115(1) of the Internal Revenue Code, as amended. The Authority is also recognized as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income tax under Section 501(a) of the Internal Revenue Code.

UMA, MUFC, CHS, MUSCF, and MFRD are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income under Code Section 501(a). However, UMA does have two for-profit subsidiaries and a nonprofit subsidiary which are all subject to federal income tax.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

New Accounting Pronouncements

In February 2010, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of GASB Statement No. 54 were effective for the University's fiscal year 2011 financial statements. Its implementation did not impact the financial statements of the University.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was published in June 2011. This new accounting pronouncement requires that amounts representing deferred outflows of resources be reported in a statement of financial position in a separate section following assets. Similarly, amounts that are required to be reported as deferred inflows of resources should be reported in a separate section following liabilities. Statement No. 63 further requires that the statement of financial position report the residual amount as "net position" rather than "net assets". Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components - "net investment in capital assets", "restricted" and "unrestricted". The provisions of Statement No. 63 are effective for financial statements for periods beginning after December 15, 2011. While the ultimate impact of implementing GASB Statement No. 63 and other recent accounting pronouncements has not yet been determined, management believes that none of the new pronouncements will have a material impact on the University's financial position or results of operations.

2. DEPOSITS AND INVESTMENTS

The following schedule reconciles deposits and investments within the Notes to the Statement of Net Assets amounts:

	The University	The Authority	UMA	---- Nonmajor Enterprise Funds ---- MUFC	CHS
Statement of Net Assets:					
Current assets					
Cash and cash equivalents	\$ 102,689,083	\$ 31,371,340	\$ 112,379,783	\$ -	\$ -
Investments	-	-	53,500,437	-	-
Restricted assets					
Cash and cash equivalents	4,397,802	3,392,573	-	31,923	954,953
Investments	-	-	-	316,168	701,712
Noncurrent assets					
Investments	-	-	9,114,600	-	-
Restricted assets					
Cash and cash equivalents	53,613,483	53,635,054	-	1,350,000	3,552,032
Investments	-	40,214,032	-	213,000	-
Total Statement of Net Assets	<u>\$ 160,700,368</u>	<u>\$ 128,612,999</u>	<u>\$ 174,994,820</u>	<u>\$ 1,911,091</u>	<u>\$ 5,208,697</u>
Disclosure, Deposits and Investments plus reconciling items:					
Carrying value of deposits					
Held by State Treasurer	\$ 160,644,363	\$ -	\$ -	\$ -	\$ -
Other	-	31,371,340	57,443,863	31,726	2,589,626
Investments, reported amount					
Unrestricted	-	-	117,514,435	-	-
Restricted	-	97,241,659	-	1,879,365	2,619,071
Cash on hand	56,005	-	36,522	-	-
Total Notes plus reconciling items	<u>\$ 160,700,368</u>	<u>\$ 128,612,999</u>	<u>\$ 174,994,820</u>	<u>\$ 1,911,091</u>	<u>\$ 5,208,697</u>

Deposits Held by State Treasurer

All deposits of the University are under the control of the South Carolina State Treasurer, who by law, has sole authority for investing State funds. Information pertaining to the reported amounts, fair values, and various risks of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Other Deposits

The Authority's bank balances at June 30, 2011 follow:

Insured (FDIC / SIPC)	\$ 750,000
Uninsured, uncollateralized, or collateralized by securities held by the pledging institution or by its trust department or agent in other than the Authority's name	<u>33,924,798</u>
Total	<u>\$ 34,674,798</u>
Carrying amount (cash and cash equivalents)	<u>\$ 31,371,340</u>

UMA and its blended component units maintain their cash accounts in commercial banks. Accounts are guaranteed by the Federal Depositary Insurance Corporation (FDIC) up to \$250,000 for both demand and time deposits per depositor. At June 30, 2011, the carrying amount of deposits was \$57,443,863. Bank balances before reconciling items were \$59,654,501. Of these unrestricted bank balances, \$1,330,688 was insured by the FDIC, and the remainder was uninsured and uncollateralized.

Investments

As of June 30, 2011, the investment balances were as follows:

<u>Investment</u>	<u>Carrying Value</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Credit Rating</u>
Medical University Hospital Authority				
Cash	\$ 189,302	N/A	N/A	N/A
US Treasury tri-party repurchase agreements	40,214,032	N/A	N/A	N/A
Commercial paper	33,133,729	8/15/2011	N/A	A1
Money market funds	23,704,596	N/A	N/A	AAAm
Total Hospital Authority investments	\$ 97,241,659			
University Medical Associates				
Certificates of deposit	\$ 10,204,051	12/28/2011	0.34% - 0.42%	N/A
Fixed income securities:				
U.S. Government Agency issues	10,934,382	March 2032	5.5 - 10.9%	N/A
U.S. Government Agency CMO's	1,869,302	September 2031	6.0 - 10.3%	N/A
Auction rate debt securities:				
Merrill Lynch Bonds	9,114,600	12/01/2026	0.74%	A3/A-
Commercial paper	39,990,840	09-12-11 - 09-28-2011	0.24% - 0.33%	A1- P1, A2P2
Corporate bonds	16,865,206	01-15-2012 - 02-02-2037	1.42% - 7.00%	AAA
Money market funds:				
Fidelity Funds	9,128,366	average 39 days	0.11%	N/A
SSGA Institutional Liquid Reserves	779,394	average 28 days	N/A	AAA
Mutual Funds:				
Equity funds - domestic	13,889,423	N/A	1.5%	N/A
Equity funds - foreign	4,738,871	N/A	1.2%	N/A
Total UMA investments	117,514,435			
Nonmajor Enterprise Funds				
Medical University Facilities Corporation				
Berkshire Hathaway GIC	\$ 316,168	open-ended	5.78%	N/A
Berkshire Hathaway GIC	213,000	open-ended	6.20%	N/A
First American Treasury money market funds	1,350,197	N/A	N/A	AAAm
Total MUFC investments	\$ 1,879,365			
CHS Development Company				
Federal National Mortgage Association discount notes	\$ 117,952	12/12/2011	4.41%	AAA
Federal Home Loan Bank discount notes	583,760	12/12/2011	4.40%	AAA
First American Treasury money market funds	1,917,359	N/A	N/A	AAAm
Total CHS investments	\$ 2,619,071			

Custodial Credit Risk

Custodial credit risk is the risk that the investor will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. To minimize this risk, the Authority requires investments to be appropriately collateralized, insured or issued by investment grade financial institutions.

UMA's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. All investments are held in UMA's name by a safekeeping agent that is independent of all counterparties. UMA does not have a policy related to insurance or collateralization of deposits.

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations.

The Authority's investment strategy has been developed to ensure that the investment portfolio remains in compliance with the investments deemed permissible under its debt indenture agreements. The investment agreements, including guaranteed investment contracts, commercial paper, repurchase agreements and other securities are subject to credit rating minimums, acceptance by related insurers, and other provisions as described in the debt indenture agreements.

UMA has adopted two investment policies depending on whether the funds are invested on a self-directed or professionally managed basis. The self-directed investment policy approved by the UMA board of directors allows investment in money market mutual funds, U.S. Treasury and Agency obligations, obligations of U.S. or foreign banks rated A1/P1 by Standard & Poors (S&P) or Moody's Investor Services (Moody's), repurchase agreements with major banks collateralized by U.S. Treasury obligations, Eurodollar time deposits rated A or higher, commercial paper rated A2/P2/F2 or higher, and other corporate obligations including bonds and medium term notes rated A+ or A1 or higher.

CHS Development Company has no investment policy that limits its investment choices other than the limitations imposed by the Indenture of Trust related to the SC Jobs-Economic Development Authority Economic Development Revenue Bonds which limits investments to "Investment Obligations" meeting certain requirements as defined in the indenture.

Concentration of Credit Risk

An increased risk of loss occurs as more investments are acquired from one issuer.

Except for restrictions imposed by its debt indenture agreements, the Authority places no limit on the amount that may be invested in any one issuer. As of June 30, 2011, more than 5% of the Authority's investments are held in Santander CPDS commercial paper and in money market funds managed by Morgan Stanley.

UMA's professionally managed portfolio includes both equity and fixed income investments. Fixed income investments comprise 40%, while equities comprise 60% of the total. Allowable fixed income investments include obligations issued or guaranteed by the US government, mortgage backed securities including GNMA, FNMA and FHLMC, asset backed securities, corporate debt securities, taxable municipal securities, and short-term obligations including commercial paper. The policy allows investment in instruments with maturity from one to two and a half years with the average credit quality to be no lower than AA/Aa by S&P and Moody's. No more than five percent may be invested in a single issuer except for the US Government and its agencies and no more than ten percent of the total may be invested in securities under Rule 144A of the Securities and Exchange Commission. Both of these limits may be exceeded with the approval of the Executive Committee of the Board of Trustees of UMA. As of June 30, 2011, UMA has no investments in securities of a single issuer other than the U. S. Government that comprise more than 5% and no investments that comprise more than 10% of its total unrestricted portfolio.

The equity portion of the professionally managed investment policy provides for domestic and international equities and real estate funds with all having diversification among issuers, class of issuers and industrial sectors. UMA's policy is to limit investment in any one equity issuer to five percent and investment in a particular market segment to twenty percent of the total portfolio balance.

CHS places no limit on the amount it may invest in any one issuer.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value.

UMA, in accordance with its self-directed investment policy, manages its exposure to interest rate risk by limiting the maturities of investments to no longer than 60 months for any individual security and no longer than 18 months average for the entire portfolio. As June 30, 2011, investments subject to this policy were the certificates of deposit, corporate and auction rate securities, commercial paper, and money market funds.

CHS has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments in Partnerships

UMA accounts for investments in partnerships either by the cost or equity method. If UMA is a 20 percent or more owner and is able to exercise significant influence over the partnership, then UMA records the investment under the equity method, whereby UMA's percentage of the net profit or loss increases or decreases the carrying value of the investment and this gain or loss is reported in the Statement of Revenues, Expenses and Changes in Net Assets. If UMA owns less than 20 percent or does not possess the ability to exercise control over operations, then the investment is recorded at cost.

On May 8, 1998, Carolina Primary Care Physicians, P.A. (CPCP), a blended component unit of UMA, entered into a joint venture with several physicians and medical practices by purchasing a 35 percent interest in Lowcountry Medical Group of Beaufort County, LLC (LCMG). During the fiscal year ended June 30, 2000, the members of LCMG invested in Lowcountry Real Property, LLC (LCRP), which reflected the same proportionate ownership as LCMG and holds title to all real estate occupied by LCMG. The operating agreements of LCMG and LCRP state that all powers to control normal operations are exercised exclusively by the managers except for veto authority over certain transactions affecting the acquisition and disposition of significant assets or changes to the members of each partnership. CPCP is prohibited from serving as a manager, but no other party has a controlling interest. These two joint ventures are accounted for using the equity method.

During the year ended June 30, 2010, there was a reallocation of partnership interests from a withdrawing partner bringing CPCP's total interest in the capital of LCRP to 43.35 percent. In May 2010, CPCP also agreed to purchase an additional five percent interest in LCRP for \$173,117 (consideration was subject to revision based on the updated valuation of LCRP's assets). However, after further negotiations, this agreement was terminated during the year ended June 30, 2011, and any additional funds invested in LCRP during the previous year were returned to CPCP leaving the ownership of LCRP at the previous level of 43.35 percent.

On February 10, 2004, UMA entered into a partnership, reflecting an effective date of August 5, 2003, with Georgetown Hospital System to form Georgetown Radiation Therapy Center, L.L.C. (GRTC) to provide radiation therapy for patients of Georgetown County, South Carolina. UMA received a one percent equity interest for a contribution of \$1,000. Pursuant to a licensing agreement, in

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exchange for GRTC's use of UMA's intellectual property, UMA has been entitled to receive an additional one percent equity interest in GRTC for each \$100,000 of cumulative net income the entity produces up to a maximum of ten percent. In prior years, UMA received an additional nine percent interest in the partnership as a result of increases in accumulated earnings bringing the total interest in GRTC to the maximum ten percent. UMA appointed its CEO as the one representative to the three-member Executive Committee which makes all management decisions regarding the operations of the entity. This investment is reported on the cost method with all distributions being reported as investment income.

	LCMG	LCRP	GRTC	Total
UMA's carrying value at June 30, 2010	\$ 1,755,691	\$ 398,994	\$ 1,000	\$ 2,155,685
Capital contribution made in fiscal year 2011	-	4,603	-	4,603
UMA's share of partnership income (loss) for fiscal year 2011	255,481	10,146	-	265,627
Partnership distributions to UMA in fiscal year 2011	(342,227)	-	-	(342,227)
UMA's carrying value at June 30, 2011	<u>\$ 1,668,945</u>	<u>\$ 413,743</u>	<u>\$ 1,000</u>	<u>\$ 2,083,688</u>

3. RECEIVABLES

Receivables at June 30, 2011, including applicable allowances, were as follows:

	The University	The Authority	UMA	Nonmajor Enterprise Fund MUFC
Student accounts	\$ 568,052	\$ -	\$ -	\$ -
Patient accounts	-	205,429,037	115,602,228	-
Less allowances for:				
Contractual adjustments	-	-	(64,221,441)	-
Uncollectibles	-	(50,200,000)	(19,841,925)	-
Third party payors	-	13,249,000	-	-
Federal grants and contracts	17,423,048	-	-	-
State grants and contracts	6,922	-	-	-
Nongovernmental grants and contracts	4,329,414	-	-	-
Interest	597,228	-	-	7,565
Medicaid supplemental reimbursement	14,741,080	-	-	-
Medicaid Disproportionate Share Hospital program	-	746,872	-	-
Graduate Medical Education program	-	13,947,681	-	-
Research Infrastructure Bond proceeds	1,671,410	-	-	-
Capital Improvement Bond proceeds	215,218	-	-	-
State capital appropriation	1,102,149	-	-	-
Medical resident FICA refund	22,241,258	-	-	-
Other	5,442,335	-	689,088	-
Receivables, net	<u>68,338,114</u>	<u>\$ 183,172,590</u>	<u>\$ 32,227,950</u>	<u>\$ 7,565</u>

4. RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2011 were as follows:

Asset/Restricted for	The University	The Authority	UMA	-- Nonmajor Enterprise Funds --	
				MUFC	CHS
Current:					
Cash and cash equivalents:					
Debt service	\$ 970,813	\$ -	\$ -	\$ 31,923	\$ 954,953
Research & education	3,426,989	-	-	-	-
Capital projects	-	3,392,573	-	-	-
Total cash and cash equivalents	<u>\$ 4,397,802</u>	<u>\$ 3,392,573</u>	<u>\$ -</u>	<u>\$ 31,923</u>	<u>\$ 954,953</u>
Investments:					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,168</u>	<u>\$ 701,712</u>
Due from component units					
Research & education	<u>\$ 7,252,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interfund receivables:					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,162,514</u>	<u>\$ 1,056,210</u>
Student loans receivable:					
Student loan programs	<u>\$ 1,135,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Noncurrent:					
Cash and cash equivalents:					
Debt service	\$ -	\$ -	\$ -	\$ 1,350,000	\$ 3,552,032
Capital projects	50,640,434	53,635,054	-	-	-
Student loan programs	1,676,783	-	-	-	-
Endowments	1,296,266	-	-	-	-
Total cash and cash equivalents	<u>\$ 53,613,483</u>	<u>\$ 53,635,054</u>	<u>\$ -</u>	<u>\$ 1,350,000</u>	<u>\$ 3,552,032</u>
Investments					
Debt service	\$ -	\$ 40,214,032	\$ -	\$ 213,000	\$ -
Capital projects	-	-	-	-	-
Total investments	<u>\$ -</u>	<u>\$ 40,214,032</u>	<u>\$ -</u>	<u>\$ 213,000</u>	<u>\$ -</u>
Due from component units					
Endowments	<u>\$ 65,499,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interfund receivables:					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,543,523</u>	<u>\$ 18,243,839</u>
Student loans receivable:					
Student loan programs	<u>\$ 13,196,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<u>The University</u>				
Capital assets not being depreciated				
Land	\$ 11,646,316	\$ -	\$ -	\$ 11,646,316
Construction in progress	65,407,667	54,079,108	(4,143,151)	115,343,624
Total capital assets not being depreciated	77,053,983	54,079,108	(4,143,151)	126,989,940
Other capital assets				
Depreciable land improvements	8,537,262	91,358	-	8,628,620
Buildings and improvements	593,267,425	4,094,648	-	597,362,073
Machinery and equipment	147,116,298	10,001,412	(6,655,674)	150,462,036
Vehicles	4,647,847	53,920	(1,495,513)	3,206,254
Total other capital assets at historical cost	753,568,832	14,241,338	(8,151,187)	759,658,983
Less accumulated depreciation for				
Depreciable land improvements	(5,377,458)	(302,633)	-	(5,680,091)
Buildings and improvements	(197,414,822)	(22,722,621)	-	(220,137,443)
Machinery and equipment	(67,644,031)	(11,465,983)	3,953,221	(75,156,793)
Vehicles	(4,106,145)	(196,403)	1,495,513	(2,807,035)
Total accumulated depreciation	(274,542,456)	(34,687,640)	5,448,734	(303,781,362)
Other capital assets, net	479,026,376	(20,446,302)	(2,702,453)	455,877,621
University capital assets, net	556,080,359	33,632,806	(6,845,604)	582,867,561
<u>Medical University Hospital Authority</u>				
Capital assets not being depreciated				
Land and land improvements	6,092,725	-	-	6,092,725
Construction in progress	8,605,160	13,742,991	(17,181,398)	5,166,753
Total capital assets not being depreciated	14,697,885	13,742,991	(17,181,398)	11,259,478
Other capital assets				
Buildings and improvements	612,845,807	15,941,345	-	628,787,152
Machinery and equipment	269,095,255	20,386,143	(7,756,014)	281,725,384
Vehicles	2,965,939	428,702	-	3,394,641
Total other capital assets at historical cost	884,907,001	36,756,190	(7,756,014)	913,907,177
Less accumulated depreciation for				
Buildings and improvements	(194,976,210)	(27,762,010)	-	(222,738,220)
Machinery and equipment	(155,246,023)	(26,383,135)	7,014,892	(174,614,266)
Vehicles	(2,242,829)	(321,335)	-	(2,564,164)
Total accumulated depreciation	(352,465,062)	(54,466,480)	7,014,892	(399,916,650)
Other capital assets, net	532,441,939	(17,710,290)	(741,122)	513,990,527
Authority capital assets, net	547,139,824	(3,967,299)	(17,922,520)	525,250,005
<u>University Medical Associates</u>				
Capital assets not being depreciated				
Land	7,453,166	-	(15,165)	7,438,001
Construction in progress	398,699	9,049,737	-	9,448,436
Total capital assets not being depreciated	7,851,865	9,049,737	(15,165)	16,886,437
Other capital assets				
Buildings and improvements	63,374,913	384,449	-	63,759,362
Machinery and equipment	13,322,917	1,046,403	(1,153,586)	13,215,734
Intangible assets	1,717,005	366,463	-	2,083,468
Total other capital assets at historical cost	78,414,835	1,797,315	(1,153,586)	79,058,564
Less accumulated depreciation for				
Buildings and improvements	(27,161,365)	(2,813,920)	-	(29,975,285)
Machinery and equipment	(10,293,972)	(1,138,086)	1,153,586	(10,278,472)
Intangible assets	(1,358,050)	(115,217)	-	(1,473,267)
Total accumulated depreciation	(38,813,387)	(4,067,223)	1,153,586	(41,727,024)
Other capital assets, net	39,601,448	(2,269,908)	-	37,331,540
UMA capital assets, net	47,453,313	6,779,829	(15,165)	54,217,977
Grand Total	\$ 1,150,673,496	\$ 36,445,336	\$ (24,783,289)	\$ 1,162,335,543

6. PENSION PLANS

The South Carolina Retirement Systems, a division of the State Budget and Control Board, maintains five independent defined benefit plans and one defined contribution plan. It issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina, 29223. The Division and the five pension plans are included in the CAFR of the State of South Carolina. Two of the five pension plans are available to the employees of the University.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of the University and the Authority are enrolled in the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the South Carolina Retirement Systems, a public employee retirement system. Generally, all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, survivor, and group-life insurance benefits to eligible employees and retirees.

The employee contribution rates for fiscal years ending June 30, 2011, 2010, and 2009 were 6.50 percent in each year. Including a surcharge to fund retiree health and dental insurance coverage, the employer contribution rates for fiscal years ending June 30, 2011, 2010, and 2009 were 13.14 percent, 12.74 percent, and 12.74 percent, respectively. The University's actual contributions to the SCRS for the fiscal years ending June 30, 2011, 2010, and 2009 were approximately \$9,992,000, \$9,909,000, and \$10,027,000, respectively, and equaled the required contributions (excluding the surcharge) of 9.24 percent for fiscal years 2011, 2010, and 2009. The surcharge equaled 3.90 percent for fiscal year 2011 and 3.50 percent for fiscal years 2010 and 2009.

The Authority's contributions to SCRS for the years ending June 30, 2011, 2010, and 2009 were approximately \$34,300,000, \$32,400,000, and \$29,300,000, respectively, which equaled the required contributions for each year.

Neither the University or the Authority have any other liability under the SCRS retirement plan other than to make the required contributions, which have been fully paid as of June 30, 2011.

The University paid employer group-life insurance contributions of approximately \$162,000 in the fiscal year 2011 at the rate of 0.15 percent of compensation.

Police Officers Retirement System

The Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the South Carolina Retirement Systems. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability, cost of living adjustment, survivor, and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firefighters killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. The employer contribution rates for fiscal years ending June 30, 2011, 2010, and 2009 were 15.03 percent, 14.15 percent, and 14.15 percent, respectively. The University's actual contributions to the PORS for the fiscal years ending June 30, 2011, 2010, and 2009 were approximately \$328,000, \$302,000, and \$288,000, respectively, and equaled the required contributions (excluding the surcharge) of 11.13 percent for fiscal year 2011 and 10.65 percent for fiscal years 2010 and 2009. The surcharge equaled 3.90 percent for fiscal year 2011 and 3.50 percent for fiscal years 2010 and 2009.

Also, the University paid employer group-life insurance contributions of \$5,894 and accidental death insurance contributions of \$5,894 in fiscal year 2011 for PORS participants. The rate for each of these insurance benefits is 0.20 percent of compensation.

Optional Retirement Program

Employees eligible to participate in the SCRS may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. ORP participants are also eligible for group-life insurance. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is available to all employees of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. Employees must select ORP participation within thirty days of employment or becoming retirement benefits eligible. Employees may irrevocably change to the SCRS traditional plan during the designated open enrollment period (January 1 - March 1) if they hold between one and five years of State ORP participation as of March 1 of the enrollment period. Under State law, contributions to the ORP are required at the same rates as for the SCRS.

Some of the University's employees have elected to be covered under the ORP. For fiscal year 2011, total contribution requirements to the ORP were approximately \$10,456,000 (excluding the surcharge) from the University as employer and \$7,355,000 from its employees as plan members. In addition, the University paid employer group-life insurance contributions of approximately \$170,000 in the fiscal year 2011. Employee contributions of 6.5 percent and 5 percent of the employer contribution were remitted directly to the respective annuity policy providers. The balance of the employer portion was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefits resides with the annuity policy providers.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows active members of the South Carolina Retirement Systems (SCRS plan only) who are eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants are considered retirees and begin accumulating retirement benefits on a deferred basis without terminating employment for a program period of up to five years. The length of the program period must be specified by the employee prior to retirement. At the beginning of the program, participants may receive service credit for up to 90 days of unused sick leave. Participants who entered the program prior to June 30, 2005 are entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon retirement and again at the end of the program period for annual vacation leave earned during the program period. Participants entering the program after June 30, 2005 maintain their current annual leave balance and are entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon ending participation in the TERI program. The University recorded expenses of \$54,713 for lump-sum vacation leave payments to its employees retiring under TERI in fiscal year 2011.

Component Unit Pension Plans

Effective July 1, 2002, the Authority established and began sponsoring a profit sharing plan and trust titled the Special Healthcare Alternative Retirement Plan (SHARP). The SHARP is qualified under Section 401(a) of the Internal Revenue Code. Certain employees, as defined in the SHARP, are eligible to participate at the commencement of employment. Contributions by the Authority to the SHARP are discretionary and vest ratably over four years after two years of service. Contributions by the Authority in fiscal year 2011 totaled approximately \$360,000.

University Medical Associates maintains a defined contribution pension plan covering all employees. The plan provides for contributions by UMA in such amounts as the Board of Directors may annually determine. The plan prohibits participant contributions except for rollovers from other qualified retirement plans. Current year contributions are based upon a three-tier percentage determined by the participant's compensation as follows: (a) eleven percent of compensation up to \$40,000, (b) fourteen percent of compensation from \$40,001 to \$80,000, and (c) twenty-five percent of compensation from \$80,001 to \$220,000. The maximum annual contribution per participant is \$45,000. Participants become fully vested in their accounts after five years of credited service. Contributions to this plan totaled \$20,935,033 in fiscal year 2011. Copies of the separately issued financial statements of the plan are available from the management of UMA.

UMA employees may also participate in an IRC Section 403(b) plan sponsored by UMA for which no employer contributions are made. The participants are fully vested in their contributions to the 403(b) plan at all times.

7. POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

The State of South Carolina provides certain health care, dental, vision, life insurance, long-term disability, long-term care and flexible spending benefits to certain active State employees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The University recorded expense of \$19,048,213 for the year ended June 30, 2011 for these insurance benefits for active employees.

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health, dental, and vision benefits to retired State and school district employees and their covered dependents. The University contributes to the Retiree Medical Plan (RMP) administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). To be eligible for retiree insurance, the last five years of service must be consecutive in a permanent benefits-eligible position working at least 20 hours weekly. Retirees who were hired before May 2, 2008 are eligible for the funded health, dental, and vision benefits if they are least age 60 and have established at least ten years of retirement service credit and meet any one of the criteria for retirement. Retirees who have between five and ten years of retirement service are eligible for non-funded insurance benefits. Retired employees who were hired on or after May 2, 2008 who retire with 25 or more years of retirement service credit will pay only the retiree's share. Retirees who have between fifteen (15) and twenty-five (25) service years will pay 50% of the employer's share of the premium in addition to the retiree premium. Retired employees who were hired on or after May 2, 2008 who retire with between five (5) and fifteen (15) service years will pay the entire employer's share of the premium in addition to the retiree premium.

Sections 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, require these postemployment healthcare, dental, and vision benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB, except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget which equaled 3.90 percent, 3.50 percent, and 3.50 percent of annual covered payroll for fiscal years 2011, 2010, and 2009, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$8,746,000, \$7,655,000, and \$7,589,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2011, 2010, and 2009, respectively. Basic long-term disability benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2011, 2010 and 2009.

As the provider of postemployment benefits to State retirees, the State is responsible for implementing GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Effective May 1, 2009, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

Complete financial statements for the State benefit plans and the trust funds may be obtained from the Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

University Medical Associates

UMA and its component units provide employee life and disability benefits through commercial insurance companies and have established an employee benefit plan to self-insure employees for health, accident, and dental expenses. UMA records an estimated liability for incurred but not reported claims based on estimates of the ultimate cost of reported claims using the gross method. The estimated claims liability at June 30, 2011 was \$868,505 amount is included in "Payables and accrued liabilities" on the Statement of Net Assets.

UMA sponsors the Retiree Benefit Plan for Employees of University Medical Associates, a single-employer defined benefit healthcare plan. The plan provides continuation of medical, dental and prescription drug benefits for certain retirees and their dependents through an irrevocable trust agreement adopted by the UMA Board with an effective date of June 26, 2008. The trust meets the definition of a qualifying trust as defined in GASB Statement No. 45. Eligible employees are those reaching age 62 with 15 years of service. This coverage is considered primary until age 65 or until the employee is covered under Medicare, at which time it becomes the secondary payer. The plan may be amended by future actions of the UMA Board of Directors. The plan, which has a June 30 year-end, issued a separate stand-alone financial report as of June 30, 2010.

The obligations of plan members and UMA are established each year by action of the UMA Board pursuant to changes in the healthcare environment to ensure its self-insured healthcare plan remains viable. Retirees are required to pay monthly premiums as approved by the UMA Board depending on the selected level of coverage. UMA's required contribution for these other postemployment benefits (OPEB) is due to the implicit rate subsidy for retirees who pay the same premiums as active employees and is determined by an actuarial review of the plan provisions and participants. UMA decided to fully fund the actuarial accrued liability as of June 30, 2008 which is being amortized to expense over a 30 year period, and will fund the remaining actuarial accrued liability based upon the annual required contribution based on an annual charge of \$429 per covered employee. All costs of administering the plan are paid by UMA.

UMA's annual OPEB cost (expense) is calculated based on the *annual required contribution* (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of UMA's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in UMA's net OPEB obligation:

Annual OPEB Cost	Fiscal Year Ending June 30, 2011
Annual required contribution (ARC)	\$ 309,472
Interest on net OPEB asset	(122,371)
Adjustment to ARC	48,019
OPEB expense	235,120
Net OPEB contributions made during the year	(309,472)
Increase in OPEB asset	(74,352)
Net (Prepaid) OPEB asset at beginning of year	(499,343)
Net (Prepaid) OPEB asset at end of year	<u>\$ (573,695)</u>

The prepaid OPEB asset is included in the Prepaid items reflected in the noncurrent assets section of the Statement of Net Assets.

UMA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB Obligation as of June 30, 2008 (the first year of implementation), June 30, 2009, June 30, 2010, and June 30, 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Prepaid OPEB Asset
June 30, 2011	\$ 235,120	131.6%	\$ 573,695
June 30, 2010	\$ 333,063	86.4%	\$ 499,343
June 30, 2009	\$ 77,894	44.0%	\$ 544,338
June 30, 2008	\$ 75,173	882.0%	\$ 587,933

The most recent actuarial valuation was dated July 1, 2009. As of the valuation date, the unfunded actuarial accrued liability (UAAL) amounted to \$1,822,979 which represents 4.77% of covered payroll. Current year contributions to the trust totaled \$309,472. The covered payroll (annual payroll of active employees covered by the plan) was \$41.8 million.

Actuarial valuations of an ongoing plan include estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the *projected unit credit actuarial cost method* was used to determine plan liabilities. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of ten percent in 2009 decreasing to five percent by 2015 and thereafter. The UAAL is being amortized as a level cost per active employee over a thirty year closed amortization period. The next actuarial valuation for this plan will be prepared as of July 1, 2011.

8. DEFERRED COMPENSATION PLANS

Several voluntary deferred compensation plans are available to State employees and employees of its political subdivisions. Certain employees of the University and the Authority have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment as specified by the applicable plan. Employees may also withdraw contributions prior to termination if they meet age requirements specified by the applicable plan.

Certain employees have elected to participate in a Section 403(b) plan through a financial provider approved by the University. The University believes it is compliant with Internal Revenue Service regulations that went into effect January 1, 2009. The plan is administered by various unrelated financial institutions.

The Authority also independently sponsors a tax-advantaged defined contribution plan for its employees. Substantially all Authority employees are eligible to participate in this plan. Employees may contribute up to \$16,500 of eligible compensation. The Authority does not match employee contributions.

Employees of Carolina Primary Care Physicians, P.A. (CPCP) and Carolina Health Management Services (CHMS), component units of UMA, participate in a deferred compensation plan under Internal Revenue Code Section 401(k) which allows employees to defer up to \$22,000 of compensation annually. The employer makes safe-harbor contributions for all employees of three percent of compensation up to \$245,000. A separate employer contribution of five percent for all physicians and eight percent for all non-physician employees is made for all eligible compensation. All employee and employer safe-harbor contributions are 100% vested at the time of contribution. The five and eight percent employer contributions vest ratably over a 5-year period. Total employer contributions to this plan for the fiscal year ending June 30, 2011 were \$457,367.

9. COMMITMENTS, CONTINGENCIES AND LITIGATION

The various federal programs administered by the University for fiscal year 2011 and prior years are subject to examination by the federal grantor agencies. At the present time, amounts, if any, which may be due federal grantors have not been determined, but the University believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the University. Therefore, an estimated loss has not been recorded.

The University, the Authority and UMA are involved in a number of legal proceedings and claims with various parties which arose in the normal course of business and cover a wide range of matters including medical malpractice. In the opinion of management, the outcome of the legal proceedings and claims is not expected to have a material adverse effect on the financial positions of the entities.

The University had outstanding commitments related to capital projects of \$14,518,048 at June 30, 2011. The University anticipates funding these projects out of current resources, proceeds from debt issuances, private gifts, federal capital grants, special appropriations, and state capital improvement bond proceeds.

Carolina Primary Care Physicians, P.A. (CPCP), a component unit of UMA, signed a corporate guarantee with a financial institution for 17.50 percent of the \$8,750,000 mortgage debt of Lowcountry Real Property, LLC (LCRP). This corporate guarantee is based upon 50 percent of CPCP's equity in the partnership multiplied by the outstanding principal balance of the mortgage up to a maximum \$1,531,250. CPCP and the other guarantors are jointly and severally liable for this amount should LCRP default on its obligation.

On June 9, 2010, UMA reached an agreement in principle with a former member of its senior management to terminate his contract of employment effective June 1, 2010. This agreement, which is still being finalized, provides for a one-time severance payment of \$1,420,300 which has been accrued in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*, as of June 30, 2011. This amount is reflected in Payables and accrued liabilities on the Statement of Net Assets.

On December 18, 2008, UMA refunded its outstanding Direct Note Obligations Select Auction Variable Rate Securities that were subject to swap agreements that had a notional amount of \$79.15 million with Lehman Brothers Holdings, Inc. as the counterparty. UMA engaged the firm of Ponder and Company as its financial advisor in valuing the swap agreements for the termination payment to Lehman Brothers, which had filed for bankruptcy protection under Chapter 11 of the United States Code on September 15, 2008. UMA subsequently received notice from Lehman Brothers disputing some elements of the termination payments. On January 4, 2011, UMA reached an agreement with Lehman Brothers Special Financing, Inc. and Lehman Brothers Holdings, Inc. to settle the disputed termination value of the swap agreements with payment of an additional \$1,000,000 by UMA. The payment was made in January 2011 and no further liabilities or contingencies related to the termination of swap agreements exist as of June 30, 2011.

10. PAYABLES AND ACCRUED LIABILITIES

	The University	The Authority	UMA	-- Nonmajor Enterprise Funds --	
				MUFC	CHS
Accounts payable	\$ 16,187,700	\$ 39,922,813	\$ 4,745,729	\$ -	\$ -
Retainages	2,716,933	3,400,389	-	-	-
Compensated absences payable	-	26,189,030	-	-	-
Accrued payroll & related liabilities	6,455,542	21,558,746	17,711,775	-	-
Medicaid cost reports' settlement liability	-	1,462,401	-	-	-
Accrued interest	1,616,128	7,901,925	214,850	120,656	601,825
Other	181	3,437,689	3,063,471	-	-
	<u>\$ 26,976,484</u>	<u>\$ 103,872,993</u>	<u>\$ 25,735,825</u>	<u>\$ 120,656</u>	<u>\$ 601,825</u>

Activity for the year ended June 30, 2011 associated with the Authority's compensated absences (all payable within one year) is as follows:

Beginning balance	\$ 24,349,719
Increases	32,984,945
Decreases	(31,145,634)
Ending balance	<u>\$ 26,189,030</u>

11. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<u>The University</u>					
General obligation bonds payable	\$ 37,300,000	\$ 18,950,000	\$ (3,505,000)	\$ 52,745,000	\$ 4,060,000
State bond anticipation notes	30,000,000	30,000,000	(30,000,000)	30,000,000	30,000,000
Revenue bond payable	35,900,000	-	(1,115,000)	34,785,000	1,160,000
Energy note payable	14,373,744	-	(6,491,900)	7,881,844	1,839,088
Capital leases payable	1,898,968	988,037	(1,332,325)	1,554,680	463,778
Compensated absences payable	25,598,425	14,132,649	(12,732,186)	26,998,888	12,732,186
Less deferred loss on early retirement of general obligation bonds	(783,389)	-	80,347	(703,042)	(80,348)
Total University long-term liabilities	144,287,748	64,070,686	(55,096,064)	153,262,370	50,174,704
Interfund payables	32,045,544	-	(3,039,458)	29,006,086	3,218,724
Due to component unit	46,377,908	-	(450,808)	45,927,100	486,949
Federal loan program liability	13,646,961	435,980	(233,243)	13,849,698	-
Total University noncurrent liabilities	236,358,161	64,506,666	(58,819,573)	242,045,254	53,880,377
<u>Medical University Hospital Authority</u>					
Bonds payable	458,455,000	-	(10,730,000)	447,725,000	10,850,000
GE notes payable	6,694,681	-	(2,163,822)	4,530,859	2,261,758
BA notes payable	31,835,482	-	(11,013,663)	20,821,819	11,515,250
Capital leases payable	-	-	-	-	-
Subtotal	496,985,163	-	(23,907,485)	473,077,678	24,627,008
Plus unamortized bond premium	7,799,056	-	(573,033)	7,226,023	-
Less deferred (loss) on refunding	(14,692,488)	-	986,618	(13,705,870)	-
Total Authority long-term liabilities	490,091,731	-	(23,493,900)	466,597,831	24,627,008
Due to other funds	2,055,060	67,749	-	2,122,809	-
Due to third party payors	17,656,006	-	(16,193,605)	1,462,401	1,462,401
Fair value of derivative instruments	2,748,753	-	(187,916)	2,560,837	-
Total Authority noncurrent liabilities	512,551,550	67,749	(39,875,421)	472,743,878	26,089,409
<u>University Medical Associates</u>					
Capital leases payable	27,496	-	(27,496)	-	-
Variable rate demand bonds	62,085,000	-	-	62,085,000	-
Term loan payable	32,543,708	-	(3,791,500)	28,752,208	3,791,500
Equipment note payable	119,548	-	(70,951)	48,597	48,597
Compensated absences payable	3,562,502	4,645,383	(4,373,746)	3,834,139	2,300,485
Subtotal	98,338,254	4,645,383	(8,263,693)	94,719,944	6,140,582
Less deferred refunding costs:					
Variable rate demand bonds	(15,809,300)	81,476	454,273	(15,273,551)	
Term loan payable	(8,286,918)	-	1,213,578	(7,073,340)	
Total UMA long-term liabilities	74,242,036	4,726,859	(6,595,842)	72,373,053	6,140,582
Fair value of derivative instruments	709,048	-	32,527	741,575	-
Total UMA noncurrent liabilities	74,951,084	4,726,859	(6,563,315)	73,114,628	6,140,582
<u>Nonmajor Enterprise Funds</u>					
<u>Medical University Facilities Corporation</u>					
Revenue bonds payable	6,609,000	-	(797,000)	5,812,000	858,000
Notes payable	5,770,000	-	(1,300,000)	4,470,000	1,360,000
Total MUFC long-term liabilities	12,379,000	-	(2,097,000)	10,282,000	2,218,000
Fair value of derivative instruments	258,440	-	(96,583)	161,857	-
Total MUFC noncurrent liabilities	12,637,440	-	(2,193,583)	10,443,857	2,218,000
<u>CHS Development Company</u>					
Notes payable	27,155,000	-	(1,300,000)	25,855,000	1,365,000
Unamortized premium	72,055	-	(5,326)	66,729	5,326
Total CHS noncurrent liabilities	27,227,055	-	(1,305,326)	25,921,729	1,370,326
Grand total	\$ 863,725,290	\$ 69,301,274	\$ (108,757,218)	\$ 824,269,346	\$ 89,698,694

12. BONDS AND NOTES PAYABLE

Bonds Payable

The University's bonds payable at June 30, 2011 consisted of the following:

	Interest Rates	Maturity Dates	Balance June 30, 2011
State Institution Bonds:			
2001 series dated 12/01/2001	4.25 - 5.00%	12/01/2016	\$ 3,515,000
2003D series dated 01/01/2003	3.70 - 4.40%	01/01/2018	4,460,000
2003J series dated 12/01/2003	3.125 - 5.00%	12/01/2023	8,955,000
2005A refunding dated 04/01/2005	3.00 - 5.00%	03/01/2020	16,865,000
2011D series dated 03/01/2011	2.00 - 5.00%	03/01/2031	18,950,000
Total state institution bonds			<u>52,745,000</u>
State Institution Bond Anticipation Note:			
2010 series dated 12/15/2010	0.89%	12/14/2011	30,000,000
Higher Education Facilities Revenue Bond:			
2006 series dated 11/01/2006	4.00 - 4.30%	04/01/2031	34,785,000
			<u>\$ 117,530,000</u>

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt service requirement for the payment of principal and interest on State Institution Bonds. SC Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees designated for debt service for the preceding year were \$10,656,000 which resulted in a legal debt margin at June 30, 2011, of \$9,590,400.

The scheduled maturities of the State Institution Bonds are as follows:

Year Ending June 30,	State Institution Bonds		
	Principal	Interest	Total
2012	\$ 4,060,000	\$ 2,211,159	\$ 6,271,159
2013	4,180,000	2,047,055	6,227,055
2014	4,325,000	1,872,438	6,197,438
2015	4,380,000	1,682,843	6,062,843
2016	4,520,000	1,512,708	6,032,708
2017 - 2021	17,580,000	5,059,274	22,639,274
2022 - 2026	7,510,000	2,374,288	9,884,288
2027 - 2031	6,190,000	939,219	7,129,219
	<u>\$ 52,745,000</u>	<u>\$ 17,698,984</u>	<u>\$ 70,443,984</u>

For the year ended June 30, 2011, principal payments on the State Institution Bonds totaled \$3,505,000 and the related interest expense totaled \$1,568,249.

The scheduled maturities of the Higher Education Facilities Revenue bond are as follows:

Year Ending June 30,	Higher Education Revenue Bond		
	Principal	Interest	Total
2012	\$ 1,160,000	\$ 1,439,638	\$ 2,599,638
2013	1,210,000	1,393,238	2,603,238
2014	1,255,000	1,344,838	2,599,838
2015	1,305,000	1,294,638	2,599,638
2016	1,360,000	1,242,438	2,602,438
2017 - 2021	7,660,000	5,351,388	13,011,388
2022 - 2026	9,345,000	3,664,525	13,009,525
2027 - 2031	11,490,000	1,516,793	13,006,793
	<u>\$ 34,785,000</u>	<u>\$ 17,247,496</u>	<u>\$ 52,032,496</u>

For the year ended June 30, 2011, principal payments on the Higher Education Facilities Revenue bond totaled \$1,115,000 and the related interest expense totaled \$1,484,238.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

During fiscal year 2011, the University issued a State Bond Anticipation Note in the amount of \$30,000,000. The proceeds of this State Bond Anticipation Note were used to repay the State Bond Anticipation Note issued in fiscal year 2010. The proceeds of the related original Bond Anticipation Note (issued in fiscal year 2008) were used to finance the construction of the College of Dental Medicine Building. Interest expense incurred in fiscal year 2011 related to the State Bond Anticipation Note issued in fiscal year 2010 and the State Bond Anticipation Note issued in fiscal year 2011 totaled \$278,225.

The State Bond Anticipation Note issued in fiscal year 2011 will mature during fiscal year 2012, at which time re-financing via an issuance of a new State Bond Anticipation Note is anticipated. Interest payments related to State Bond Anticipation Notes during fiscal year 2011 are anticipated to total approximately \$267,000.

The total amount of defeased debt outstanding at June 30, 2011 was \$17,845,000 for the University and \$108,390,000 for the Authority.

The Authority's hospital facilities and refunding revenue bonds payable at June 30, 2011 consisted of the following:

	Interest Rates	Balance June 30, 2011
2004 A Series	4.85 - 5.25%	\$ 299,110,000
2004 B Series	3.92 - 5.38%	96,435,000
		395,545,000
Unamortized bond premiums and deferred losses on bond refunding		(6,479,847)
		389,065,153
Less current installments		(9,335,000)
		<u>\$ 379,730,153</u>

In December 2004, the Authority issued a total of \$422,060,000 of FHA Insured Mortgage Hospital Facilities and Refunding Revenue Bonds, Series 2004 at a premium of \$11,445,157. The net bond proceeds as well as monies from the Series 2002A Hospital Facilities Refunding Revenue Bonds (2002A Refunding Bonds) trustee account were used to defease all amounts outstanding under the prior Series 2002A bonds and a promissory note payable to Charleston County, and fund construction of new replacement hospital facilities located in Charleston, South Carolina.

With respect to the 2004 bond defeasance, funds were deposited in an irrevocable trust to provide for the debt service of the bonds payable; therefore, all related amounts have been removed from the Authority's Statement of Net Assets. The deposits in trust have been or will be used to pay all scheduled principal and interest payments on the 2002A Refunding bonds through fiscal year 2032.

The 2004 refunding transaction resulted in an accounting loss of approximately \$15,475,000, which has been deferred and is being amortized using the interest method through fiscal year 2032. The deferred loss is related entirely to the in-substance defeasance of the bonds payable. The total deferred loss, including previously deferred losses, was \$13,705,870 as of June 30, 2011.

The defeased Series 2002A Refunding Bonds were themselves used to defease all prior outstanding Hospital Facilities Revenue Bonds (totaling \$96,540,000) in a transaction similar to the Series 2004 bonds.

The 2004 Series A and B bonds bear interest at fixed rates for tranches defined by the principal payments due each year. The average interest rates during fiscal year 2011 were 5.18% and 5.19% for the Series A and Series B bonds, respectively. The bond indenture contains certain terms and restrictive covenants typical of such agreements, including maintenance of certain debt service coverage levels and limitations on additional indebtedness.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

The scheduled maturities of the Authority's Series 2004 bonds are as follows:

Fiscal Year Ending June 30,	Hospital Facilities & Refunding Revenue Bonds		
	Principal	Interest	Total
2012	\$ 9,335,000	\$ 20,246,957	\$ 29,581,957
2013	9,775,000	19,815,816	29,590,816
2014	10,245,000	19,349,447	29,594,447
2015	10,745,000	18,847,547	29,592,547
2016	11,290,000	18,305,907	29,595,907
2017 - 2021	66,180,000	81,907,661	148,087,661
2022 - 2026	85,970,000	62,226,677	148,196,677
2027 - 2031	51,865,000	40,239,618	92,104,618
2032 - 2035	140,140,000	17,101,233	157,241,233
Total	<u>\$ 395,545,000</u>	<u>\$ 298,040,863</u>	<u>\$ 693,585,863</u>

For various reasons, the actual debt service schedule for the Authority's Series 2004 bonds may vary from the schedule shown above. In particular, the schedule will be recast upon final certification of the Ashley River Tower construction project, as defined in the bond indenture. This certification had not occurred as of June 30, 2011.

In December, 2004, CEP, a blended component unit of the Authority, issued \$61 million of Economic Development Revenue Bonds Series 2004 (CEP Series 2004 Bonds) through the South Carolina Jobs Economic Development Authority at a discount of \$305,000. The net bond proceeds were used to build the central energy plant for the new hospital facility. On February 1, 2008, CEP converted (as permitted under the related bond agreements) the then-outstanding \$59.4 million auction rate bonds into indexed floating rate bonds to reduce the cost of capital and annual debt service payments. At the time of the conversion, CEP made a \$3.0 million prepayment which reduced the outstanding principal balance to \$56.4 million. In May 2011, with the approval of the trustee, CEP executed an optional redemption of \$355,000 of the CEP Series 2004 Bonds using unspent monies remaining in the construction fund held by the trustee under the related indenture agreement. The weighted average interest rate applicable to the bonds in fiscal year 2011 was 2.15%.

Concurrent with the refunding of the CEP Series 2004 Bonds, CEP entered into a fixed payer interest rate swap (CEP swap) to hedge the changes in cash flows of the underlying bonds by effectively converting the variable interest rate on the CEP Series 2004 Bonds to a synthetic fixed rate of 5.755%. The initial notional amount of the CEP swap was \$56,415,000. Since the inception of the CEP swap, the notional amount declined in conjunction with payments of principal of the CEP Series 2004 Bonds such that the outstanding balance of these bonds and the notional amount of the CEP swap remained equal at all times, except for the last two months of fiscal year 2011 following the optional redemption of the \$355,000 described above. Under the swap, CEP pays the counterparty interest at a fixed rate of 3.855% and receives interest payments at a variable rate equal to the SIFMA Municipal Swap Index, subject to a cap of 6.50%.

Based on the guidance provided in GASB Statement No. 53, the CEP swap is considered a hedging derivative instrument. The fair value of the CEP swap as of June 30, 2011 was a negative (\$2,560,837). The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the derivative, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the derivative. Pursuant to GASB Statement No. 53, the CEP swap is considered an effective hedging instrument; therefore, the negative fair value of the CEP swap has been recorded on the Statement of Net Assets and offset by an identical amount for the deferred outflows from this swap. The increase in the fair value of the CEP swap from June 30, 2010 of \$187,916 is not recognized in these financial statements.

Interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined borrowing rate on the associated debt is called basis risk. As of June 30, 2011, the Authority is subject to basis risk related to this swap and the associated CEP Series 2004 Bonds as the indexed variable rate on the CEP swap is determined by the SIFMA Index whereas the actual market-determined borrowing rate on the CEP Series 2004 Bonds is equal to the SIFMA Index plus 1.90%.

The CEP swap contract incorporates the terms and provisions of the International Swap Dealers Association Master Agreement which includes standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate the CEP swap if the other party fails to perform under the terms of the contract. In addition, the Authority may terminate the CEP swap at its discretion on the first day of each month commencing on February 1, 2015 and ending on September 1, 2031. If the CEP swap is terminated, the variable rate CEP Series 2004 Bonds would no longer carry a fixed synthetic interest rate. In addition, if at the time of termination the CEP swap had a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

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The scheduled maturities, calculated using the synthetic fixed rate described above, of the Authority's Economic Development Revenue Bonds are as follows.

Fiscal Year Ending June 30,	CEP Project Series 2004			
	Principal	Interest	Swap Payment, Net	Total
2012	\$ 1,515,000	\$ 1,013,258	\$ 1,930,410	\$ 4,458,668
2013	1,590,000	981,866	1,871,017	4,442,883
2014	1,670,000	948,898	1,808,643	4,427,541
2015	1,750,000	914,339	1,743,258	4,407,597
2016	1,835,000	878,104	1,674,703	4,387,807
2017 - 2021	10,625,000	3,781,415	7,221,114	21,627,529
2022 - 2026	13,505,000	2,567,016	4,923,522	20,995,538
2027 - 2031	17,145,000	1,025,099	2,006,274	20,176,373
2032 - 2036	2,545,000	8,441	18,198	2,571,639
2037 - 2041	<u>\$ 52,180,000</u>	<u>\$ 12,118,436</u>	<u>\$ 23,197,139</u>	<u>\$ 87,495,575</u>

On December 18, 2008, UMA issued Series 2008 South Carolina Jobs-Economic Development Authority Variable Rate Demand Bonds (Series 2008 Bonds) in the amount of \$65,085,000 in conjunction with the refunding of its 1994, 1997, 1999A and 1999B Select Auction Variable Rate Securities (SAVRS). The proceeds of the Series 2008 Bonds were used to fully redeem the 1999 A&B SAVRS and pay certain costs of issuance. The Series 2008 Bonds mature in various installments ranging from \$1.7 million to \$3.925 million beginning on July 1, 2019 with final maturity on July 1, 2037.

The Series 2008 Bonds originally bore interest at a daily interest rate. The daily interest rate is defined as the rate of interest per annum determined by the remarketing agent for the Series 2008 Bonds (based on examination of tax-exempt obligations comparable in the judgment of the remarketing agent and known by the remarketing agent to have been priced or traded under the prevailing market conditions) to be the minimum interest rate which, if borne by such Series 2008 Bonds, would enable the remarketing agent to sell the Series 2008 Bonds at a price equal to the principal amount thereof. The original Series 2008 Bond Master Trust Indenture allowed UMA, under certain conditions, to elect that the interest rate on the Bonds bearing interest at a daily interest rate be converted into a weekly interest rate, a long-term interest rate or a bond interest term rate, as these rates were defined in the Master Trust Indenture. Further, the Master Trust Indenture provided that if UMA elected to convert the interest rate period for the Series 2008 Bonds from the daily interest rate, then the Series 2008 Bonds would be subject to mandatory tender for purchase on the effective date of the conversion to another interest rate period.

Payments relative to the Series 2008 Bonds were originally secured by, among other things, an irrevocable, direct-pay letter of credit (Credit Facility) issued by Wachovia Bank, NA (Wachovia) pursuant to a Reimbursement and Security Agreement between UMA and Wachovia dated December 1, 2008. The original Credit Facility was due to expire on December 18, 2011. Due to the upcoming initial expiration date of the Credit Facility, UMA requested that the South Carolina Jobs-Economic Development Authority and the Bond trustee execute a mandatory tender for purchase of the Series 2008 Bonds and amend and restate the Master Trust Indenture to provide for the Index Rate Mode relative to the interest due on the Bonds. The transaction was executed on June 23, 2011. Following the amendment of the original Master Trust Indenture, the Bonds were reissued and purchased at par in the Index Rate Mode by Wells Fargo Bank, NA (Wells Fargo) pursuant to a Continuing Covenant Agreement dated June 23, 2011 between UMA and Wells Fargo. The original Credit Facility and the related Reimbursement and Security Agreement were terminated as of the closing of Wells Fargo's direct purchase of the reissued Bonds (Reissued Bonds).

Under the Index Rate Mode during the initial period, interest accruing to Wells Fargo is computed at 75% of the one-month LIBOR rate plus 0.88%. The initial term was set at sixty-six months ending on December 31, 2016 at which time the Reissued Bonds will be subject to a mandatory tender to the borrower. If not successfully remarketed on that date, all amounts outstanding will be converted to a bank loan subject to repayment in sixty consecutive monthly installments beginning 180 days after the mandatory tender date with interest computed at the greater of (1) Wells Fargo's Prime Rate plus 2%, (2) the Federal Funds Rate plus 3%, or (3) 8%.

As of June 30, 2011, the annual effective variable interest rate incurred on the Reissued Bonds was 1.019%, determined in accordance with the Index Rate Mode formula described above. However, UMA has synthetically converted the overall interest cost to a variable rate that, because of the structure of the payer-side arrangement, is a near fixed rate using derivative financial instruments as described below.

As security for repayment of the Reissued Bonds and other obligations issued under the Master Trust Indenture (as amended and restated on June 23, 2011), UMA has granted to the master trustee a security interest in its Pledged Assets, subject to permitted liens and subject to the right of the Members of the Obligated Group to transfer property, plant and equipment and cash and investments free of the security interest created in the Pledged Assets under certain specified circumstances as further set forth in the Master Indenture. Pledged Assets consist of the UMA Receipts of each Member of the Obligated Group (as defined, which currently consists solely of UMA). "UMA Receipts" means all accounts and assignable general intangibles of each Member of the Obligated Group, now owned or hereafter acquired, and all proceeds thereof and therefrom whether cash or noncash; excluding, however, (a) gifts, grants, bequests,

donations, contributions, charitable pledges, or other contract or property rights to any Member of the Obligated Group heretofore or hereafter made, and the income and gains and other proceeds derived therefrom, to the extent any of the foregoing are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payments required under the Master Indenture or on any obligations; (b) mandatory transfers to MUSC and MUSCF; (c) transfers under the ambulatory care and primary care agreements; and (d) non-UMA revenues. All obligations issued under the Master Indenture are secured *pari passu* by the security interest in the Pledged Assets created by the Master Indenture. The Members of the Obligated Group are also subject to certain covenants under the Master Indenture restricting, among other things, incurrence of indebtedness, existence of liens, consolidation or merger and disposition of assets. UMA is currently the only Member of the Obligated Group.

The Reissued Bonds were issued pursuant to a resolution by the South Carolina Jobs-Economic Development Authority in order to obtain tax-exempt status for the interest payments to the bond holders and reduce the total interest costs. These Bonds are subject to compliance with the arbitrage regulations of the Internal Revenue Code.

The original proceeds of the Series 2008 Bonds and the Wachovia Term Loan (described in the Notes Payable section) were used in fiscal 2009 to advance refund outstanding SAVRS direct note obligations, terminate previous swap agreements and pay issue costs. The refunding transaction resulted in a loss of \$26,736,722 which was amortized over the shorter life of the refunded debt, i.e. the period ending on May 15, 2027, using the effective interest method.

The mandatory tender of the Series 2008 Bonds and the direct purchase of the Reissued Bonds executed on June 23, 2011, as described above, were accounted for as a refunding transaction under GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*. The proceeds of \$62,085,000 from the direct purchase of the Reissued Bonds by Wells Fargo were used, along with \$314,542 of company cash, to advance refund outstanding Series 2008 South Carolina Jobs Economic Development Authority Variable Rate Revenue Bonds of \$62,085,000, to pay accrued interest of \$1,462 and issue costs of \$313,080. This refunding resulted in an economic loss of \$7,341,936 and an increase in cash flows of \$9,807,716 due to increased interest costs. The deferred refunding costs resulting from the most recent refunding, together with the unamortized difference from the previous refunding described in the preceding paragraph, in the total amount of \$22,346,892, are being amortized over the original amortization period remaining from the previous refunding, i.e. the period ending on May 15, 2027, using the effective interest method.

UMA has entered into an interest rate swap agreement with Wachovia Bank, NA to modify interest rates on both of the Bonds (represented first by the Series 2008 Bonds and then by the Reissued Bonds). The swap related to the Reissued Bonds limits the impact of fluctuations in the LIBOR rate by converting the variable interest rate paid on the Bonds into a rate equal to 2.9828% plus 8% of the one-month LIBOR rate. The Bonds swap agreement was entered into on December 5, 2008 with an effective date of December 18, 2008, and matures on July 1, 2037. The notional amount as of June 30, 2011 was \$62,085,000 which equals the principal outstanding. Under the Reissued Bonds swap agreement, UMA pays Wachovia a fixed interest payment of 2.1028% and receives a variable payment equal to 67% of the one-month LIBOR rate. The variable rate in effect at June 30, 2011 was .13%.

The Reissued Bonds swap agreement is considered a hedging derivative instrument under GASB Statement No. 53 as of June 30, 2011. The previously established hedging relationship between the original Series 2008 Bonds and the related interest rate swap was discontinued in connection with the refunding transaction executed on June 23, 2011. At that time, the deferred inflows associated with the hedging derivative instrument of \$1,696,000 were included in the calculation of the loss on the refunding transaction in accordance with GASB Statement No. 23. Following the refunding, the existing swap, which was not terminated in connection with the refunding, was associated with the Reissued Bonds and proven to constitute an effective hedging derivative instrument under GASB Statement No. 53. Accordingly, changes in the swap's fair value since the time it was associated with the Reissued Bonds are being reported as deferred inflows/outflows. The fair value of the swap at the time of the refunding is being amortized as an adjustment of deferred inflows/outflows and interest expense on a straight-line basis over the remaining life of the swap.

As of June 30, 2011, the fair value of the Reissued Bonds swap agreement was \$2,915,347. The fair value was estimated by independent financial advisors using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Consistent with the guidance provided by GASB Statement No. 53, the positive fair value of the Reissued Bonds swap agreement has been recorded on the Statement of Net Assets and offset by an identical amount for the deferred inflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the Series 2008 Bonds' cash flow hedge swap from June 30, 2010 of \$1,456,846 is not recognized in these financial statements.

As of June 30, 2011, UMA is exposed to counterparty credit risk in the amount of the derivative's fair value. Wells Fargo Bank, NA (successor by merger to Wachovia Bank, NA), counterparty to this swap, is rated Aa2 by Moody's Investor Services, and AA by Standard & Poor's as of June 30, 2011. Should the estimated termination value of the Series 2008 Bonds swap or the Term Loan swap, which is discussed in the Notes Payable section of this note, (assuming their early termination) become negative to UMA, UMA may be required to post collateral with the swap counterparty in the form of cash or negotiable debt securities of the U.S. Treasury

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Department, provided that in any case the collateral held by the swap counterparty shall at no time exceed \$8.2 million. As of the date of issuance of this report, UMA has not been required to post any such collateral.

Interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined variable borrowing rate on the bonds is called "basis risk." UMA is subject to this basis risk on the Reissued Bonds as of June 30, 2011 as the indexed variable rate is 67% of the one month LIBOR and the actual market-determined borrowing rate is 75% of the one-month LIBOR rate plus 0.88%.

The Reissued Bonds swap derivative contract uses the International Swap Dealers Association Master Agreement ("Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. UMA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. UMA may also terminate the swap at its discretion upon two business days notice to the counterparty. If the swap were terminated, the variable rate debt would no longer carry a synthetic interest rate. In addition, if at the time of the termination the swap has a negative fair value, UMA would generally be liable to the counterparty for a payment equal to the swap's fair value. Conversely, if the fair value is positive at termination, UMA would generally receive a payment from the counterparty.

Using rates as of June 30, 2011, debt service requirements of UMA's Reissued South Carolina Jobs-Economic Development Authority Variable Rate Demand Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Fiscal Year Ending June 30,	Reissued SC JEDA Variable Rate Demand Bonds			
	Principal	Interest	Swap	Total
			Payment, Net	Debt Service
2012	\$ -	\$ 632,747	\$ 1,228,340	\$ 1,861,087
2013	-	632,747	1,228,340	1,861,087
2014	-	632,747	1,228,340	1,861,087
2015	-	632,747	1,228,340	1,861,087
2016	-	632,747	1,228,340	1,861,087
2017 - 2021	8,125,000	3,010,606	5,844,434	16,980,040
2022 - 2026	13,330,000	2,349,730	4,561,488	20,241,218
2027 - 2031	15,315,000	1,610,226	3,125,902	20,051,128
2032 - 2036	17,575,000	762,232	1,479,706	19,816,938
2037 - 2038	7,740,000	40,002	77,655	7,857,657
Totals	<u>\$ 62,085,000</u>	<u>\$ 10,936,531</u>	<u>\$ 21,230,885</u>	<u>\$ 94,252,416</u>

On September 20, 1995, the Medical University Facilities Corporation (MUFC) issued lease revenue bonds series 1995 A in the amount of \$12,729,000 and series 1995 B in the amount of \$472,000. Related bond issue costs totaling \$356,900 were capitalized as deferred charges to be amortized over the lives of the bonds. The bonds were issued for the purpose of providing a portion of the payment for the costs of completing the acquisition and construction of the Strom Thurmond Biomedical Research Center. Interest rates range from 7.45% to 7.5%. The final maturity is in 2016, and the bonds are secured by the rental payments received under the capital lease as detailed in Note 13. The bond covenants require that MUFC establish and maintain funds with a trustee for the payment of principal and interest on the lease revenue bonds. MUFC paid \$797,000 in principal and incurred \$463,074 in interest expense on these bonds for the year ended June 30, 2011.

The scheduled maturities of the MUFC lease revenue bonds are as follows:

Fiscal Year Ending June 30,	Lease Revenue Bonds		
	Principal	Interest	Total
2012	\$ 858,000	\$ 417,413	\$ 1,275,413
2013	923,000	352,284	1,275,284
2014	992,000	282,237	1,274,237
2015	1,070,000	206,900	1,276,900
2016	1,149,000	125,712	1,274,712
2017	820,000	30,553	850,553
Total	<u>\$ 5,812,000</u>	<u>\$ 1,415,099</u>	<u>\$ 7,227,099</u>

Notes Payable

On October 3, 2008, the Board of Trustees approved a resolution authorizing the University to use the South Carolina Master Lease Program for the purpose of financing the costs of purchasing and implementing energy conservation measures that will benefit both the University and the Authority with the understanding that debt service payments will be generated from the associated energy savings. Pursuant to this resolution, the University borrowed \$15,387,340 from Bank of America during fiscal year 2009. For the year ended June 30, 2011, principal payments on this Energy Note totaled \$6,491,900 (the scheduled payment plus an additional \$5,000,000) and the related interest expense totaled \$738,810.

The scheduled maturities of the energy note payable are as follows:

Fiscal Year Ending June 30,	Bank of America Energy Note		
	Principal	Interest	Total
2012	\$ 1,839,088	\$ 391,622	\$ 2,230,710
2013	1,920,113	310,598	2,230,711
2014	2,018,807	211,904	2,230,711
2015	2,103,836	108,137	2,211,973
Totals	<u>\$ 7,881,844</u>	<u>\$ 1,022,261</u>	<u>\$ 8,904,105</u>

On December 18, 2008, UMA borrowed \$37,915,000 via a taxable term loan payable to Wachovia Bank, NA (the Term Loan) to cover the taxable portion of the refunding of the aforementioned SAVRS. The proceeds of the Term Loan were used to fully redeem the outstanding 1994 and 1997 SAVRS, terminate the previously outstanding swap agreements, and pay certain costs of issuance. The Term Loan is being amortized over a ten year period and payable in level monthly principal installments of \$315,958 plus interest through January 1, 2019. The ten-year repayment schedule was originally conditional on the successful renewal or replacement of the above-referenced Credit Facility (see Bonds Payable section). In connection with the above described direct purchase of the Reissued Bonds by Wells Fargo on June 23, 2011, the term of the Term Loan was extended to match the initial term of the Interest Rate Mode of the Reissued Bonds held by Wells Fargo.

UMA pays interest on the Term Loan at the rate equal to the one-month LIBOR plus 1.30%. As of June 30, 2011, the annual effective variable interest rate incurred on the Term Loan was 1.49%. However, UMA has synthetically converted the overall interest cost to a fixed rate using derivative financial instruments as described below.

The Term Loan is governed by a conventional loan agreement and additional security documents entered into by UMA in favor of the bank. These security documents include a Leasehold Mortgage and Security Agreement under which, among other things, UMA grants to the bank a leasehold mortgage and security interest in its rights under and in respect of the Rutledge Tower lease and subleases.

UMA has entered into an interest rate swap agreement with Wachovia Bank, NA to hedge changes in cash flows on the Term Loan in an effort to convert its variable rate to a synthetic fixed rate of 3.869%. The swap agreement related to the Term Loan was entered into on December 5, 2008 with an effective date of December 18, 2008 and matures January 2, 2019. The notional amount as of June 30, 2011 was \$28,752,208 which equaled the principal outstanding. Under the swap agreement, UMA pays Wachovia a fixed interest payment of 3.869% on the Term Loan. UMA receives a variable payment equal to the one-month LIBOR rate plus 1.30% on the swap associated with the Term Loan. The variable rate for the Wachovia term loan in effect at June 30, 2011 was 1.49%.

As of June 30, 2011, the fair value of the Term Loan swap was a negative (\$741,575). The fair value was estimated by independent financial advisors using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Consistent with the guidance provided by GASB Statement No. 53, the negative fair value of the Term Loan swap agreement has been recorded on the Statement of Net Assets and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The decrease in the fair value of the term loan cash flow hedge swap from June 30, 2010 of \$32,527 is not recognized in these financial statements.

As of June 30, 2011, UMA is exposed to counterparty credit risk in the amount of the swap agreement's fair value. Wells Fargo Bank, NA (successor by merger to Wachovia Bank, NA), the counterparty to this swap, is rated Aa2 by Moody's Investor Services, and AA by Standard & Poor's as of June 30, 2011. Should the estimated termination value of the Term Loan swap or the Reissued 2008 Bonds swap, which is discussed in the Bonds Payable section of this note, (assuming their early termination) become negative to UMA, UMA may be required to post collateral with the swap counterparty in the form of cash or negotiable debt securities of the U.S. Treasury Department, provided that in any case the collateral held by the swap counterparty shall at no time exceed \$8.2 million. As of the date of issuance of this report, UMA has not been required to post any such collateral.

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Interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined variable borrowing rate on the bonds is called "basis risk." Basis risk has been eliminated on the Term Loan as both the payment received and the borrowing rate are determined based on the one month LIBOR plus a spread of 1.30%.

The Term Loan swap derivative contract uses the International Swap Dealers Association Master Agreement ("Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. UMA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. UMA may also terminate the swap at its discretion upon two business days notice to the counterparty. If the swap were terminated, the variable rate debt would no longer carry a synthetic interest rate. In addition, if at the time of the termination the swap has a negative fair value, UMA would generally be liable to the counterparty for a payment equal to the swap's fair value. Conversely, if the fair value is positive at termination, UMA would generally receive a payment from the counterparty.

Using rates as of June 30, 2011, debt service requirements of UMA's Wachovia Term Loan and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Fiscal Year Ending <u>June 30,</u>	Wachovia term loan			
	Principal	Interest	Swap Payment, Net	Total Debt Service
2012	\$ 3,791,500	\$ 400,277	\$ 646,293	\$ 4,838,070
2013	3,791,500	343,767	555,051	4,690,318
2014	3,791,500	287,257	463,810	4,542,567
2015	3,791,500	230,748	372,569	4,394,817
2016	3,791,500	174,238	281,327	4,247,065
2017 - 2019	9,794,708	195,429	315,543	10,305,680
Totals	<u>\$ 28,752,208</u>	<u>\$ 1,631,716</u>	<u>\$ 2,634,593</u>	<u>\$ 33,018,517</u>

On March 1, 2010, Carolina Family Care, Inc. (CFC), a subsidiary of UMA, issued a note for \$142,697 payable to Dr. Richard C. Holgate for the acquisition of certain equipment and furnishings in connection with the start up of CFC's Disc Imaging operations. The note has been assigned to Community First Bank and is payable in 24 monthly installments of \$6,149 with interest at 3.25% through February 28, 2012.

UMA has a line of credit with Wells Fargo Bank with a maximum borrowing limit of \$10 million, on which UMA could draw for working capital. The loan bears interest at the 30 day LIBOR rate plus 1.15% and is secured by all unrestricted accounts receivable. During fiscal year 2011, there were no advances under this line of credit. In June 2011, this line of credit expired and was renewed with basically the same terms through June 30, 2012.

The Authority financed the acquisition of certain medical equipment in 2008 with promissory notes payable to GE Capital Public Finance payable in variable amounts. The interest rates on these promissory notes range from 4.10% to 6.15%.

The scheduled maturities of the Authority's GE Capital Public Finance notes are as follows.

Fiscal Year Ending <u>June 30,</u>	GE Capital Notes		
	Principal	Interest	Total
2012	\$ 2,261,758	\$ 144,667	\$ 2,406,425
2013	1,662,096	49,771	1,711,867
2014	607,005	9,539	616,544
Totals	<u>\$ 4,530,859</u>	<u>\$ 203,977</u>	<u>\$ 4,734,836</u>

In November 2004, the Authority entered into an agreement with Banc of America Leasing & Capital, LLC (predecessor to Banc of America Public Capital Corporation) for a funding commitment of \$36.8 million to purchase equipment for the new hospital facility. The Authority began to access the funding commitment in December 2006. During fiscal year 2007, the Authority drew \$6.2 million on the available line of credit for purchases of equipment for the new hospital facility. In September 2007, the Authority and Banc of America Public Capital Corporation amended the original agreement to increase the maximum amount of available financing to \$56.8 million. During fiscal year 2008, the Authority drew an additional \$48.8 million on the line of credit to finance the acquisition of equipment for the new hospital facility. Following completion of the equipment purchases, the entire outstanding indebtedness of approximately \$55.0 million was converted into three notes payable with individual principal amounts of \$24.4 million, \$4.0 million, and \$26.6 million and interest rates of 4.41%, 4.58%, and 4.58%, respectively. These notes are payable in varying amounts through May 2013.

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The scheduled maturities of the Authority's Banc of America notes are as follows.

Fiscal Year Ending June 30,	Banc of America Notes		
	Principal	Interest	Total
2012	\$ 11,515,250	\$ 812,087	\$ 12,327,337
2013	9,306,569	287,648	9,594,217
Totals	\$ 20,821,819	\$ 1,099,735	\$ 21,921,554

On May 21, 2003, the South Carolina Jobs-Economic Development Authority (JEDA) issued Tax-Exempt Adjustable Mode Economic Development Revenue Bonds (Medical University Facilities Corporation) Series 2003 in the amount of \$13,500,000 with final maturity on January 1, 2013. The proceeds were loaned to MUFC and used to currently refund the certificates of participation dated December 1, 1991. Pursuant to the loan agreement, MUFC is obligated to make payments in amounts sufficient to pay the principal and interest on the bonds and certain other fees and expenses. The payment of the principal and interest is secured by an irrevocable, direct-pay letter of credit issued by Wachovia Bank, NA. In July 2003, the net proceeds of the JEDA loan as well as funds from the certificates of participation trustee accounts were used to pay the scheduled principal and interest due on the certificates of participation, to redeem the remaining aggregate principal amount of \$13,525,000, and to pay the redemption premium of \$270,500. As a result of the refunding, MUFC experienced an economic gain (defined as the difference between the present values of the old and new debt service payments) of \$1,345,420 and decreased its total required debt service payments by \$3,126,281.

In connection with the loan from JEDA, MUFC entered into an interest rate swap agreement with Wachovia Bank, NA to hedge its interest rate exposure and establish a fixed rate payment. The swap agreement provides that MUFC will pay the swap provider interest on a notional amount equal to the aggregate principal amount of the loan at a fixed rate of 3.37 percent per annum and the swap provider will pay MUFC a variable rate of interest on such notional amount in an amount sufficient to pay the variable rate of interest on the loan. The notional amount at June 30, 2011, was \$4,470,000 and the variable rate in effect at that date was approximately 0.12 percent. The swap agreement provides that the notional amount will be reduced in the same amount and at the same time the principal of the note is scheduled to be paid upon redemption or at maturity. The MUFC loan and the related swap agreement mature on January 1, 2013.

As of June 30, 2011, the MUFC loan swap was in a liability position with a fair value of (\$161,857). Because the interest payments on the variable rate loan adjust to changing interest rates, the loan does not have a corresponding fair value increase. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. MUFC or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. Termination of the agreement would subject MUFC to the risk of fluctuating interest rates, which management believes would not materially impact the financial position of either MUFC or the University.

Consistent with the adoption of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the negative fair value of the MUFC loan cash flow hedge swap has been recorded on the Statement of Net Assets and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the MUFC loan cash flow hedge swap from June 30, 2011 of \$96,583 is not recognized in these financial statements.

Using rates as of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Fiscal Year Ending June 30,	SC JEDA Tax-Exempt Adjustable Mode Economic Development Revenue Bonds			
	Variable-Rate Notes		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2012	\$ 1,360,000	\$ 4,619	\$ 126,934	\$ 1,491,553
2013	3,110,000	2,147	59,005	3,171,152
	\$ 4,470,000	\$ 6,766	\$ 185,939	\$ 4,662,705

MUFC paid \$1,300,000 in principal and incurred \$172,941 in interest expense on these notes for the year ended June 30, 2011.

On November 1, 2003, the South Carolina Jobs-Economic Development Authority issued Economic Development Revenue Bonds (CHS Development Company Project) Series 2003 in the amount of \$32,985,000 with final maturity on January 1, 2025. Interest rates range from 3 percent to 5 percent. The proceeds were loaned to CHS Development Company and used to finance the renovation and equipping of the old Charleston High School to accommodate approximately 40,000 square feet of classroom and office space, the construction and equipping of an adjacent building consisting of approximately 40,000 square feet of additional classroom and office space, the construction of an adjacent parking garage, and the construction of approximately 10,000 square feet of mixed use retail/services space. The renovated high school building, the new adjacent building, and the parking garage are leased to the University. Pursuant to the loan agreement, CHS is obligated to make payments in amounts sufficient to pay the principal and interest on the bonds and certain other fees and expenses. Payment of principal and interest on the bonds is insured under a financial guaranty insurance policy.

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The scheduled maturities of the CHS bonds are as follows:

Fiscal Year Ending June 30,	SC JEDA Revenue Bonds (CHS Development Company Project)		
	Principal	Interest	Total
2012	\$ 1,365,000	\$ 1,203,650	\$ 2,568,650
2013	1,430,000	1,135,400	2,565,400
2014	1,490,000	1,078,200	2,568,200
2015	1,550,000	1,018,600	2,568,600
2016	1,625,000	941,100	2,566,100
2017 - 2021	9,265,000	3,568,850	12,833,850
2022 - 2025	9,130,000	1,146,504	10,276,504
Total	<u>\$ 25,855,000</u>	<u>\$ 10,092,304</u>	<u>\$ 35,947,304</u>

For the year ended June 30, 2011, CHS Development Company paid \$1,300,000 in principal and incurred \$1,230,824 in interest expense on these notes.

13. LEASE OBLIGATIONS

The University's future commitments for capital leases and for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2011, are as follows.

On the Statement of Net Assets, the University capital leases with blended component units are reported as interfund payables and the capital leases with the discretely presented component unit are reported as due to component unit.

Fiscal Year Ending June 30,	Capital Leases with			Operating Leases with			Total Operating Leases
	Blended Component Units	Discretely Presented Component Unit	External Entities	Blended Component Units	Discretely Presented Component Units	External Entities	
2012	\$ 4,642,722	\$ 4,058,863	\$ 541,151	\$ 4,747,749	\$ 386,714	\$ 1,111,240	\$ 6,245,703
2013	6,317,402	4,058,863	514,759	2,063,926	106,450	588,932	2,759,308
2014	3,154,987	4,058,863	234,046	1,014,642	3,371	150,769	1,168,782
2015	3,154,987	4,058,853	231,377	-	-	-	-
2016	3,154,987	4,058,863	208,692	-	-	-	-
2017 - 2021	9,709,249	20,294,316	-	-	-	-	-
2022 - 2026	6,883,494	20,294,316	-	-	-	-	-
2027 - 2031	-	20,294,316	-	-	-	-	-
2032 - 2036	-	20,294,316	-	-	-	-	-
2037 - 2041	-	11,161,885	-	-	-	-	-
Total minimum lease payments	37,017,828	112,633,454	1,730,025	<u>\$ 7,826,317</u>	<u>\$ 496,535</u>	<u>\$ 1,850,941</u>	<u>\$ 10,173,793</u>
Less interest	(8,011,742)	(66,706,354)	(175,345)				
Present value of minimum lease payments	<u>\$ 29,006,086</u>	<u>\$ 45,927,100</u>	<u>\$ 1,554,680</u>				

The Authority's future commitments for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Operating Leases with			Total Operating Leases
	Blended Component Unit	Discretely Presented Component Unit	External Entities	
2012	\$ 9,874,330	\$ 84,840	\$ 8,790,418	\$ 18,749,588
2013	3,276,115	-	7,693,923	10,970,038
2014	1,779,352	-	5,316,122	7,095,474
2015	198,342	-	3,304,490	3,502,832
2016	199,496	-	901,064	1,100,560
2017 - 2021	3,329,090	-	3,638,676	6,967,766
Total minimum lease payments	<u>\$ 18,656,725</u>	<u>\$ 84,840</u>	<u>\$ 29,644,693</u>	<u>\$ 48,386,258</u>

Operating Leases

The University's and the Authority's noncancelable operating leases provide for renewal options for periods from one to five years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Total operating lease expense in fiscal year 2011 was \$6,533,270 for the University and approximately \$18,576,000 for the Authority. In addition, during fiscal year 2011, pursuant to an operating lease agreement with each other that covers space each entity uses in real property owned by the other entity, the University paid the Authority \$2,321,756 and the Authority paid the University \$3,112,130. These amounts are included in the aforementioned total operating lease expense for the University and the Authority. As discussed in Note 17 and Note 18, for the year ended June 30, 2011, the University and the Authority had certain other operating leases with related parties.

University Medical Associates leases facilities and equipment under operating leases expiring at various dates. Rent expense under these various agreements was \$9,742,241 in fiscal year 2011.

The future minimum lease payments under UMA noncancelable operating leases with initial or remaining terms in excess of one year are as follows:

Fiscal Year Ending June 30,	Amount
2012	\$ 8,827,391
2013	5,816,434
2014	3,462,921
2015	2,587,247
2016	2,079,773
2017 - 2021	3,091,886
Total	<u>\$ 25,865,652</u>

UMA subleases various properties to the University, the Authority, and external parties. Under these lease agreements for the fiscal year ended June 30, 2011, UMA received rent of \$5,109,247, composed of \$2,224,463 from the University, \$2,436,409 from the Authority, and \$448,375 from external parties. The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows:

Fiscal Year Ending June 30,	Operating Leases with		Total Operating Leases
	University & Authority	External Entities	
2012	\$ 4,631,051	\$ 375,886	\$ 5,006,937
2013	4,160,264	385,358	4,545,622
2014	1,991,527	395,089	2,386,616
2015	57,519	-	57,519
2016	58,673	-	58,673
2017	19,749	-	19,749
Totals	<u>\$ 10,918,783</u>	<u>\$ 1,156,333</u>	<u>\$ 12,075,116</u>

Capital Leases

Capital leases are generally payable in monthly installments from current resources. Certain University capital leases provide for renewal and/or purchase options. Generally, purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Monthly payments are made to a financial institution as trustee under two capital leases with MUFC for the Harborview Office Tower and the Strom Thurmond Biomedical Research Center. The payment amounts are based on the amount necessary to fund the payments due under the lease revenue bonds and the note payable (see Note 12). These payment requirements are reduced by interest earned on the cash held by the trustee. A portion of the Strom Thurmond Biomedical Research Center has been subleased to the Veterans Administration for a period of 20 years at an annual rent of \$1,264,670.

Monthly payments are made to a financial institution as trustee under a capital lease with CHS Development Company for the CHS building, an adjacent office building, and a parking garage.

In fiscal year 2009, the University entered into capital lease agreements with MUSCF for a parking garage and two office buildings. The amount recorded as buildings related to these properties was \$47.2 million. During fiscal year 2011, the University made principal payments of \$450,808 and interest payments of \$3,608,055 related to these capital lease agreements with MUSCF.

The column in the University capital and operating lease schedule titled Capital Leases with Blended Component Units reflects the repayment schedule for the capital leases with MUFC and CHS, and the column titled Capital Leases with Discretely Presented Component Unit reflects the repayment schedule for the capital leases with MUSCF.

The following is a summary of the carrying value of all assets held by the University under capital leases at June 30, 2011:

	Blended Component Units	Capital Leases with Discretely Presented Component Unit	External Entities
Equipment	\$ -	\$ -	\$ 2,447,833
Land	2,335,581	-	-
Buildings	86,748,993	47,200,000	-
Total cost	89,084,574	47,200,000	2,447,833
Less accumulated depreciation	(38,426,045)	(3,540,000)	(386,586)
Carrying value	\$ 50,658,529	\$ 43,660,000	\$ 2,061,247

On January 9, 1995, UMA prepaid MUSCF \$37 million in connection with the acquisition of Rutledge Tower from Bon Secours St. Francis Hospital. This facility is used to house ambulatory care clinics, administrative offices and space subleased to others and includes a parking garage. The lease term originally expired on June 30, 2027, but was extended to July 1, 2037 in connection with the fiscal year 2009 refunding of certain acquisition indebtedness. The lease is renewable for successive five-year terms. This prepayment was allocated based upon appraised values as follows: (a) cost of land was recorded as prepaid rent, (b) cost of buildings and fixed equipment was recorded as building under capital lease, and (c) cost of other equipment was recorded as equipment under capital lease. In October 2003, MUSCF sold a portion of the property subject to this lease agreement and refunded \$1,000,000 of the prepaid rent attributable to the agreement. These amounts are being amortized on a straight-line basis over the useful lives of 10 years for the equipment and 39.5 years for the prepaid land rent and building. Rent expense of \$338,226 and depreciation expense of \$474,224 was recorded for the year ending June 30, 2011. The following schedule reflects the remaining basis of assets acquired under this capital lease as of June 30, 2011.

Description	Capitalized Cost	Accumulated Depreciation	Net Book Value
Prepaid rent – MUSCF	\$ 19,052,400	\$ (10,108,522)	\$ 8,943,878
Building under capital lease	13,989,600	(7,824,693)	6,164,907
Equipment under capital lease	2,958,000	(2,958,000)	-
Totals	\$ 36,000,000	\$ (20,891,215)	\$ 15,108,785

14. STATE APPROPRIATIONS

The Medical University of South Carolina is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 17A -17B of Part IA of the 2010-2011 Appropriation Act. The following schedule is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2011.

<u>Non-capital appropriations</u>	
Current year's appropriations:	
Original appropriations per Annual Appropriations Act	\$ 62,103,999
State Budget and Control Board Allocations:	
For employer share of health and dental insurance	660,146
Interagency transfers:	
From Commission on Higher Education:	
Academic Endowment	41,337
Appropriation Transfer from the Department of Health and Human Services:	
Disproportionate Share	18,628,621
Maxillofacial	225,086
Total non-capital appropriations recorded as current year revenue	<u>\$ 81,659,189</u>
<u>Capital appropriations</u>	
Capital Improvement bond proceeds	\$ 596,631
Research Infrastructure bond proceeds	23,041,180
Total capital appropriations recorded as current year revenue	<u>\$ 23,637,811</u>

Capital Improvement and Research Infrastructure bonds are issued by the State to fund improvements and expansion of various State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenses have been incurred. In fiscal year 2011, the University received capital improvement bond proceeds of \$596,631 and research infrastructure bond proceeds of \$23,041,180. As of June 30, 2011, the University has no authorized capital improvement bond funds and \$20,310,623 authorized research infrastructure bond funds.

Proviso 89.27 of the 2010-2011 Appropriation Act authorized each agency to bring forward unspent State General Fund appropriations from the prior year into the current fiscal year up to a maximum of ten percent of its original appropriation less any appropriation reductions. Agencies having separate carry-forward authority had to exclude the amount brought forward by such separate authority from their base for purposes of calculating the ten percent carry-forward. Pursuant to this proviso, the University carried forward \$160,848 to fiscal year 2012.

Pursuant to the American Recovery and Reinvestment Act of 2009, states received State Fiscal Stabilization Funds (SFSF) to be used to avert or mitigate state budgetary cuts. The State of South Carolina allocated \$16,385,839 in SFSF for fiscal year 2011 to the University. Because the SFSF were awarded to the states by the Federal government, the monies are classified as Federal nonoperating grant revenue. In the Statement of Revenues, Expenditures and Changes in Net Assets, the portion used for capital projects, \$1,420,820, is included in Capital grants and gifts, and the balance, \$14,965,019, is included in nonoperating Gifts and grants revenue.

15. MEDICARE AND MEDICAID COST REIMBURSEMENTS

The Authority has agreements with governmental payors that provide for reimbursement to the Authority at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Authority's billings at established rates for services and the amounts reimbursed by third-party payors.

Substantially all of the Authority's inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the Authority is reimbursed for both its direct and indirect medical education costs (as defined), based principally on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Authority generally is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Authority and audits by the Medicare fiscal intermediary. The Authority's cost reports have been audited and initially settled for all fiscal years through fiscal 2008.

Revenue from the Medicare program accounted for approximately 27.6% of the Authority's net patient service revenue for the year ended June 30, 2011.

Authority inpatient and outpatient services rendered to most Medicaid program beneficiaries are reimbursed based upon prospective reimbursement methodologies.

The Authority participates in the Disproportionate Share Hospital program (DSH Program) available to certain qualifying hospitals in the South Carolina Medicaid program. The net reimbursement benefits associated with this program, totaling approximately \$41.9 million in fiscal year 2011, are recognized as reductions in related contractual adjustments in the accompanying financial statements. There can be no assurance that the Authority will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified. Any material reduction in this funding would have a correspondingly material adverse effect on the Authority's operations.

During fiscal year 2008, the State of South Carolina reconfigured certain terms and conditions of the DSH Program for participating providers, including the Authority. Because of associated funding deferrals and other changes which impacted the timing of historical net revenue and cash flows to the Authority under this program, the Authority recognized a receivable of approximately \$747,000 as of June 30, 2011 for program net revenue earned but not received in fiscal year 2011.

In fiscal year 2009 and 2010, the Medicaid fiscal intermediary completed retrospective cost settlements of the DSH Program funding provided to the Authority for the fiscal years 2005, 2006 and 2007, resulting in a net overpayment to the Authority for those years totaling approximately \$30.1 million. The Authority agreed to pay this obligation on an installment basis beginning in August 2009. The remaining balance of this net settlement liability was approximately \$1.5 million as of June 30, 2011, and will be paid by the Authority in fiscal year 2012.

In fiscal year 2011, the Medicaid fiscal intermediary completed the cost settlement of the DSH Program funding for the fiscal year 2008. This cost settlement identified a net overpayment to the Authority of approximately \$0.3 million which was paid in full by the Authority in fiscal year 2011.

The Authority applied relevant settlement results to open DSH Program cost report fiscal years (2009, 2010 and 2011) and recognized associated accruals for potential DSH Program overpayments in those years totaling approximately \$3.4 million. This liability is included in the other category of Payables and accrued liabilities.

Overall, revenue from the Medicaid program, including net disproportionate share funding and the settlement liabilities described above, accounted for approximately 29.9% of the Authority's net patient service revenue for the year ended June 30, 2011.

16. INCOME TAXES

UMA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The blended component units of UMA have cumulative unused net operating losses totaling \$30,747,319 that may be offset against future taxable income of the respective companies. These net operating loss carry-forwards will expire as follows if not used: \$7,823,584 in 2012, \$9,848,472 in 2013, \$9,502,366 in 2019, \$1,047,671 in 2020, \$308,722 in 2021, \$1,591,411 in 2022, \$606,307 in 2023, \$1,108 in 2025, \$161 in 2026, \$4,783 in 2027, and \$12,734 in 2029. Current year income tax expense resulted from the ninety percent limitation on the utilization of net operating losses for alternative minimum tax purposes. No associated deferred tax assets been recognized due to the uncertainty regarding future taxable income of the taxable component units.

17. BLENDED COMPONENT UNITS

The following is a summary of the receivables and payables between the University and the blended component units and among the blended component units at June 30, 2011.

	Due From	Due To
The University		
Medical University Hospital Authority - current		\$ 11,977,300
University Medical Associates - current		17,347,198
		<u>\$ 29,324,498</u>
Medical University Facilities Corporation - current		\$ 2,162,514
CHS Development Company - current		1,056,210
		<u>\$ 3,218,724</u>
Medical University Facilities Corporation - noncurrent		\$ 7,543,523
CHS Development Company - noncurrent		18,243,839
		<u>\$ 25,787,362</u>
Medical University Hospital Authority		
The University - current	\$ 11,977,300	
University Medical Associates - current	800,933	
	<u>\$ 12,778,233</u>	
University Medical Associates - noncurrent		<u>\$ 2,122,809</u>
University Medical Associates		
The University - current	\$ 17,347,198	\$ -
Medical University Hospital Authority - current	-	800,933
	<u>\$ 17,347,198</u>	<u>\$ 800,933</u>
Medical University Hospital Authority - noncurrent	<u>\$ 2,122,809</u>	
Nonmajor Enterprise Funds		
Medical University Facilities Corporation		
The University - current	\$ 2,162,514	
The University - noncurrent	<u>\$ 7,543,523</u>	
CHS Development Company		
The University - current	<u>\$ 1,056,210</u>	
The University - noncurrent	<u>\$ 18,243,839</u>	

Medical University Hospital Authority

Effective June 16, 2000, the University and the Authority entered into an affiliation agreement which outlines the availability of facilities, use of house staff, and insurance coverage. The affiliation agreement was renewed in January 2005 and again in December 2010. The most recent renewal is effective from December 1, 2010 through June 30, 2013.

The University billed the Authority \$84,913,527 during the fiscal year ended June 30, 2011 for the use of interns and residents, professional services of the College of Medicine, physical plant, rent, public safety, and other administrative and financial services. In addition, the University issued a credit to the Authority in the amount of \$1,267,477, which reduced the fiscal year 2011 interfund services provided by the University to the Authority to a net of \$83,646,050. This credit was related to an anticipated medical resident Federal Insurance Contributions Act (FICA) refund which is described more fully in Note 22. The University paid the Authority approximately \$2,760,000 during the fiscal year ended June 30, 2011 for rent, various administrative and support services.

The Authority amounts due (to) from the University as of June 30, 2011, were as follows:

Description	Amount
Medical resident FICA (see note 22) due from University	\$ 22,241,258
Amounts due to the University	(10,263,958)
Net due from the University	<u>\$ 11,977,300</u>

The Authority and the University entered into an agreement in fiscal year 2007 whereby the Authority will provide patient care to Medicaid and medically indigent patients, and appropriate clinical and educational settings for patient care, education and research to all residents and students of the University. In exchange for these services, the University will reimburse the Authority an amount equal to the appropriation transfer from the South Carolina Department of Health and Human Services. For the fiscal year ended June 30, 2011, the University reported State appropriations revenue of \$18,628,621 and an operating expense to the Authority of \$18,628,621. Since this payment relates directly or indirectly to patient care, the Authority has included this amount in net patient service revenue.

The Authority and UMA have agreed to jointly fund the costs of a new ambulatory care electronic medical records (EMR) system on a 50-50 basis because of the equal benefits accruing to each entity from the EMR system. The license and implementation contract with EPIC Systems Corporation was signed by Authority and the initial licensing has been purchased. The total cost of the project, including hardware, consulting services, and ancillary software, is expected to be approximately \$7.0 million. The system is anticipated to take approximately eighteen months to complete installation and testing, with substantial completion scheduled for May 2012. Based on the project's incurred expenditures as of June 30, 2011, the Authority and UMA each recognized approximately \$0.9 million as construction in progress for its share of the incurred capital expenditures, and expensed approximately \$0.1 million for its share of the related implementation costs in fiscal year 2011.

University Medical Associates

Revenue from the activities of University Medical Associates is available to pay its operating expenses and support activities of the academic departments at the Medical University of South Carolina including faculty and staff compensation. Any excess may be paid to the University or retained within UMA for future use. Pursuant to this practice, UMA provided support to the University totaling \$46,159,992 for the year ended June 30, 2011. This support is reported as interfund transfers.

On April 20, 2003, the University and UMA entered into an agreement whereby UMA will provide patient care to Medicaid recipients in appropriate clinical and educational settings. The University will reimburse UMA in an amount equal to the supplemental payment made to the University by the South Carolina Department of Health and Human Services (SC DHHS). Payments to the University from SC DHHS are made in accordance with a South Carolina Medicaid Plan amendment which provides reimbursement for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. For the fiscal year ended June 30, 2011, the University reported revenue of \$51,196,116 from SC DHHS and an expense to UMA of \$51,196,116. These amounts include approximately \$4.6 million related to changes in the prior year receivable from the South Carolina Medicaid Plan. The South Carolina Medicaid Plan is an important source of patient care funding for UMA. There can be no assurance that UMA will continue to qualify for future participation in the South Carolina Medicaid Plan or that the Plan will not ultimately be discontinued or materially modified. Any material reduction in the funding received from the Plan would have a correspondingly material adverse effect on UMA's operations.

The physicians of UMA practice medicine at the Authority facilities and perform various services under several cooperative agreements which resulted in the net payment from the Authority to UMA of \$35,153,000 during the fiscal year ended June 30, 2011 which includes the ambulatory patient care and clinical education and other agreements below.

UMA and the Authority have entered into an agreement whereby UMA will be reimbursed an annual fixed amount for providing an environment for ambulatory and community based primary care clinical education and research for University residents and students. UMA shall be entitled to reimbursement for, but not limited to: expenses for facilities necessary to perform this agreement, personnel costs, insurance, necessary supplies and equipment and necessary capital improvements. The parties agree each year to an estimated budget to be paid ratably over the year to UMA as reimbursement of its costs. The following reflects the activity reported under this agreement for the fiscal year ended June 30, 2011:

Revenues:	
Ambulatory Care Clinical Education Agreement	\$ 4,982,417
Other Revenues	590,290
Operating Expenses:	
Ambulatory Care	(3,973,675)
Interest Expense Allocated to Agreement	(1,599,032)
Change in Net Assets	<u>\$ -</u>

UMA and the Authority have entered into an agreement to provide emergency care services to patients. This agreement is renewed annually and can be terminated by either party upon 120 days written notice. UMA has responsibility for the management of the daily operations of the emergency services. Any net gain or loss from operations of the Authority emergency care services is shared equally as defined in the financial accountability and distribution plan. Under the Authority portion of the agreement, UMA is paid a 12% billing fee based on net patient revenues generated by the Authority and is reimbursed for all costs in excess of revenues.

UMA has entered into a managed care contract and reimbursement agreement with the Authority. UMA performs services regarding managed care operations for the Authority and its affiliates, including arranging for contracts with various third party payers. The agreement is renewed annually and may be terminated, by either party, 30 days prior to the expiration of the term in effect. All costs from these operations of the managed care services are shared as follows: UMA (40%), Carolina Management Services (CHMS), a blended unit of UMA (10%), and the Authority (50%). For the year ended June 30, 2011, of total managed care costs of \$414,787, the Authority and CHMS shared expenses of \$207,393 and \$41,479, respectively.

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UMA provides billing and collection services to the Authority related to certain limited clinical services, for which UMA receives an administrative fee. Total billings by UMA for these services were approximately \$32,544,000 in fiscal year 2011. The amounts collected and remitted by UMA to the Authority with respect to these billings amounted to approximately \$4,443,000 in fiscal year 2011. The related administrative fee paid by the Authority to UMA amounted to approximately \$415,400 in fiscal year 2011.

UMA amounts due (to) from the University as of June 30, 2011, were as follows:

Description	Amount
Agency fund amount in excess of prepaid	\$ 175,587
Rental income	37,177
Supplemental Medicaid payments	16,200,000
Parking fees	(45,848)
Other receivables	1,084,487
Other payables	(104,205)
Net due (to) from the University	<u>\$ 17,347,198</u>

UMA amounts due (to) from the Authority as of June 30, 2011, were as follows:

Description	Amount
Ambulatory Care and Clinical Education Agreement	\$ 2,937
Psychiatry Clinical Enterprise Agreement	(177,482)
Patient receivables	(293,995)
Receivables under various billing agreements	(376,924)
Managed Care contract	52,833
Rental income	72,247
Rutledge Tower renovations	2,122,809
Other receivables	172,525
Other payables	(253,074)
Net amount due (to) from the Authority	<u>\$ 1,321,876</u>

The above amount is reflected on the Statement of Net Assets as follows:

Noncurrent assets	
Due from other funds	\$ 2,122,809
Current liabilities	
Due to other funds	<u>(800,933)</u>
Net amount due (to) from the Authority	<u>\$ 1,321,876</u>

Medical University Facilities Corporation

During fiscal year 2011, MUFC recognized interest income of \$719,503 associated with its capital leases with the University.

Pursuant to the trust agreements, MUFC transferred \$30,322 of excess funds on deposit to the University during the year ended June 30, 2011.

CHS Development Company

On November 1, 2003, CHS Development Company entered into a ground lease agreement with the Medical University of South Carolina Foundation (MUSCF) as part of a plan of financing the development of the former Charleston High School property for use by the University. The ground lease required CHS to prepay rent of \$3,140,000 to MUSCF. The prepayment is being amortized on a straight line basis over 20 years. Amortization expense of \$156,349 was recorded for the year ended June 30, 2011. The lease terminates on the earlier of December 1, 2035, or the date that the related bonds are paid in full. On November 1, 2003, CHS also entered into a lease agreement with the University. Under the terms of the agreement, the University will lease from CHS the site and all improvements thereon, including the buildings. The term of the lease began on March 1, 2005 and ends on January 1, 2025. During fiscal year 2011, CHS recognized interest income of \$866,118 associated with its capital lease with the University.

During fiscal year 2011, the University transferred \$691,333 to CHS as reimbursement for costs incurred in financing the CHS project.

18. DISCRETELY PRESENTED COMPONENT UNITS

Only MUSCF and MFRD report under Financial Accounting Standards Board (FASB) standards. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met by actions of the organization and/or passage of time.

Unrestricted Undesignated Net Assets – Net assets not subject to donor-imposed restrictions.

Unrestricted Designated Net Assets – Net assets not subject to donor-imposed restrictions but subject to the organization's board-imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met.

MFRD recognizes grant and contract revenue based upon work performed at the reporting date under specific contract terms. License fee and royalty income is recognized based on agreement milestones. MFRD recognizes revenue from registration and seminar fees once the event is complete.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Medical University of South Carolina Foundation

The University provides office space and pays certain administrative costs for MUSCF which are reimbursed throughout the year. MUSCF provided support to the University for general and departmental expenses totaling \$11,185,142 in fiscal year 2011. The University recorded this revenue as gifts. In addition, the University received from MUSCF in fiscal year 2011, \$714,831 in donated capitalized equipment and \$918,775 in equipment and services expensed by the University. The net amount due the University for gifts from MUSCF at June 30, 2011 was \$2,821,465.

During fiscal year 2011, MUSCF leased various properties via operating leases to the University, the Authority, and UMA. In addition, as described in Note 13, during fiscal year 2009, MUSCF entered into capital lease agreements with the University.

MUSCF has an agreement with the University which allows the University to make periodic deposits to MUSCF of the corpus of endowments received by the University primarily from the South Carolina Commission on Higher Education under the SmartState Centers of Economic Excellence program. MUSCF will provide earnings to the University at the investment earnings rate, net of investment fees, of the pooled investments of MUSCF. After the first twelve months held by MUSCF, the principal is due with thirty days written notice by the University. The balance owed under this agreement at June 30, 2011 is \$72,751,672 which includes accrued interest and realized and unrealized net gains and losses of \$7,252,326.

MUSCF acquired the Rutledge Tower building in 1993 and leased the properties to UMA. During April 1996, MUSCF's board of directors passed a resolution to transfer the title on Rutledge Tower and associated facilities to the University at the end of the lease term which is the later of (1) June 30, 2024, or (2) the date on which all principal of and premium, if any, and interest on the direct note obligations have been paid. This was considered a contribution by MUSCF, and was recorded by MUSCF as a contribution payable and contribution expense in 1996 at the value of the land, \$17,852,400. The buildings and equipment do not have a residual value at the end of the lease. The pledge has not been recorded by the University because the net realizable value is not readily determinable and because of the uncertainties created by the fact that the transfer will not be made until the end of the lease term.

MUSC Foundation for Research Development

MFRD and the University have an affiliation agreement which outlines activities requiring MUSC Board approval, conflict of interest, dissolution, insurance, and indemnity. Additionally, the agreement requires an annual accounting of the State property, personnel, and resources used directly by MFRD, as well as, reimbursement or demonstration that adequate in kind reimbursement through provision of funds or services to the University has been made.

MFRD entered into a contract with the University to provide management services for research activities and intellectual property activities. For the fiscal year ended June 30, 2011, MFRD recognized income of \$1,050,000 from this contract.

The University has assigned the rights to intellectual property owned by the University to MFRD. MFRD incurs the cost of patent prosecution and commercialization of the intellectual property. Legal fees and other costs associated with patent prosecution are expensed as incurred as the future economic benefits are uncertain and not measurable.

19. RISK MANAGEMENT

The University and its component units are exposed to various risks of loss and maintain State or commercial insurance coverage for each of those risks except health and dental insurance claims for UMA which are self-insured. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered employees for health and dental insurance benefits (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage either through a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following activities:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles and watercraft;
4. Torts;
5. Business interruptions;
6. Natural disasters;
7. Medical malpractice claims against covered clinics, hospitals, employees, and third- and fourth-year medical students.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University and the Authority obtain coverage through commercial insurers for employee fidelity insurance for all employees for losses arising from theft or misappropriation as well as for Directors and Officers insurance and extra general liability insurance. The University also obtains coverage through a commercial insurer for losses related to aircraft, as well as a second layer of professional liability insurance for certain practitioners practicing outside the State of South Carolina.

UMA and its component units are exposed to various risks related to: torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. UMA, as the recognized clinical practice plan of the Medical University of South Carolina (MUSC), is granted statutory protection and recovery limitations for MUSC physicians' clinical activities. Pursuant to State law, these physicians are insured by the South Carolina Insurance Reserve fund which is sustained through premiums paid by State agencies and governmental entities. For coverage of all other individuals and activities, UMA maintains coverage from commercial insurance companies. Management believes these coverages are sufficient to preclude any significant uninsured losses to UMA from risks that occur in normal and expected activities. Funds administered by the State of South Carolina or commercial insurance covers the following risks: 1) unemployment and worker's compensation benefits, 2) long-term disability benefits for employees, 3) theft of assets, 4) damage to property, and 5) tort liability claims including error and omissions. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with the insurance policy and benefit program limits. Settlement amounts have not exceeded insurance coverage for the current or preceding three years. Insurance coverage has been consistently maintained over this period with no significant reductions in coverage.

UMA also purchases a portion of its medical malpractice insurance coverage for healthcare providers through the State's insurance enterprises, the Medical Malpractice Patients' Compensation fund and the Joint Underwriters Association, with the majority of practicing physicians being covered by the State Insurance Reserve Fund discussed above. UMA obtains employee fidelity bond insurance coverage through a commercial insurer for all employees for losses arising from theft or misappropriation.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

UMA and its component units provide employee life and disability benefits through commercial insurance companies and have established an employee benefit plan to self-insure employees for health, accident, and dental expenses. UMA records an estimated liability for incurred but not reported claims for this self-insured plan based on estimates of the ultimate cost of reported claims using the gross method. This liability is included in "Payables and accrued liabilities" on the Statement of Net Assets. Changes in the incurred but not reported claims liability for fiscal years ended June 30, 2011 and 2010 were as follows:

	2011	2010
Liability balance – beginning	\$ 801,371	\$ 801,371
Current year claims and changes in estimate	7,231,288	7,261,212
Claims payments	(7,164,154)	(7,261,212)
Liability balance – ending	<u>\$ 868,505</u>	<u>\$ 801,371</u>

20. OPERATING EXPENSES BY FUNCTION

Operating expenses of the University by functional classification for the year ended June 30, 2011 are as follows:

	Compensation and Employee Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 100,635,017	\$ 94,323,848	\$ 9,299	\$ 666,011	\$ -	\$ 195,634,175
Research	103,590,824	60,583,893	81,160	4,971,004	-	169,226,881
Public service	37,439,843	8,024,057	-	58,500	-	45,522,400
Academic support	24,355,382	8,555,968	7,076	116,952	-	33,035,378
Student services	7,436,809	1,109,055	-	50,516	-	8,596,380
Institutional support	22,616,329	13,999,357	176,941	-	-	36,792,627
Operation and maintenance of plant	16,463,329	10,028,321	11,191,665	-	34,687,640	72,370,955
Scholarships and fellowships	-	-	-	3,385,114	-	3,385,114
Auxiliary enterprises	3,104,962	7,105,346	401,844	3,667	-	10,615,819
	<u>\$ 315,642,495</u>	<u>\$ 203,729,845</u>	<u>\$ 11,867,985</u>	<u>\$ 9,251,764</u>	<u>\$ 34,687,640</u>	<u>\$ 575,179,729</u>

21. DONOR RESTRICTED ENDOWMENTS

Endowments are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized. The University's endowments require that the income be used for specific purposes. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purpose for which the endowment was established. Cumulative net realized and unrealized gains and losses, net of earned interest income, totaled \$7,252,326 at June 30, 2011.

In fiscal year 2011, the University received endowment funding totaling \$14,250,228 from the South Carolina Commission on Higher Education for the SmartState Centers of Economic Excellence (COEE). This program funds endowed chair professorships, which are to be used "to recruit and maintain leading scientists and engineers at the senior research universities of South Carolina for the purpose of developing and leveraging the research capabilities of the universities for the creation of well-paying jobs and enhanced economic opportunities for the people of South Carolina." In addition to the COEE funding, the University received, in fiscal year 2011, \$43,500 for other endowed purposes.

22. MEDICAL RESIDENT FICA RECEIVABLE

In March 2010, the Internal Revenue Service (IRS) published its administrative determination that, based on the "student exception", medical residents are exempt from Federal Insurance Contributions Act (FICA) payroll taxes for tax periods ending prior to April 1, 2005, the date new IRS regulations went into effect. The University timely filed protective claims with the IRS for medical resident FICA taxes paid for the period January 1, 1996 through March 31, 2005 and is expecting a refund from IRS for the FICA taxes paid during this period. In February 2011, the University perfected its refund claims and now estimates that it is due a refund of approximately \$13.0 million for FICA taxes paid and approximately \$11.7 million for interest on the overpayment, for a total refund of approximately \$24.7 million.

After taking into account a valuation allowance, the University recorded \$20,973,781 as a receivable in fiscal year 2010. During fiscal year 2011, the University increased its recorded receivable by \$1,267,477 due to a decrease of \$471,454 in the expected FICA tax due and an increase of \$1,738,931 due to additional interest accrued and a reduction in the valuation allowance. The total amount due from IRS recorded by the University at June 30, 2011 was \$22,241,258, representing the total refund of approximately \$24.7 million less a valuation allowance.

The University has recorded the \$1,267,477 net increase in the refund amount in its fiscal year 2011 Statement of Revenues, Expenses and Changes in Net Assets as an increase in compensation and employee benefits (for the FICA tax refund decrease) and as an increase in other nonoperating revenue (for the interest increase and valuation allowance decrease).

Since the Authority, as the predominant contractual user of the University's medical residents, has reimbursed the University for the majority of the compensation costs of the University's medical residents, the University has agreed to remit to the Authority all amounts received as refunds (FICA tax and interest) from the IRS and, as such, has reduced its Interfund services provided in fiscal year 2011 by \$1,267,477 representing the net change in the total amount due.

In the University's Statement of Net Assets, the total amount of the estimated FICA tax and interest due from the IRS is included in Receivables, net, (see Note 3) and the amount due the Authority is included in Due to Other Funds (see Note 17).

The Authority has recorded the \$1,267,477 increase in the net refund due from the University as a reduction of its fiscal year 2011 Interfund services used.

23. SUBSEQUENT EVENT

A Certificate of Occupancy was granted August 10, 2011 for the Drug Discovery and Bioengineering buildings. Final completion is scheduled for December 15, 2011. Total project costs for the Drug Discovery and Bioengineering buildings are estimated to be \$57,750,000 and \$54,500,000, respectively.

24. INFORMATION FOR STATEMENT OF ACTIVITIES

	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)
The University			
Charges for services	\$ 411,000,550	\$ 359,294,778	\$ 51,705,772
Operating grants and contributions	48,769,393	50,831,811	(2,062,418)
Capital grants and contributions	24,402,054	25,668,847	(1,266,793)
Less: expenses	(585,316,974)	(553,700,596)	(31,616,378)
Net program expense	(101,144,977)	(117,905,160)	16,760,183
Additions to permanent endowments	14,293,728	9,997,894	4,295,834
Transfers:			
State appropriations	81,659,189	108,647,100	(26,987,911)
Capital improvement bond proceeds	596,631	27,853	568,778
Research infrastructure bond proceeds	23,041,180	21,977,260	1,063,920
Other transfers in from state agencies/funds	45,498,981	41,306,164	4,192,817
Less: transfers out to state agencies/funds	(185,167)	(198,451)	13,284
Total general revenue and transfers	164,904,542	181,757,820	(16,853,278)
Change in net assets	63,759,565	63,852,660	(93,095)
Net assets - beginning	518,438,681	454,586,021	63,852,660
Net assets - ending	\$ 582,198,246	\$ 518,438,681	\$ 63,759,565
Medical University Hospital Authority			
Charges for services	\$ 1,012,420,923	\$ 980,119,929	\$ 32,300,994
Operating grants and contributions	17,031,022	19,081,576	(2,050,554)
Less: expenses	(1,005,657,873)	(935,635,726)	(70,022,147)
Net program revenue (expense)	23,794,072	63,565,779	(39,771,707)
Transfers in from state agencies/funds	-	247,759	(247,759)
Total general revenue and transfers	-	247,759	(247,759)
Change in net assets	23,794,072	63,813,538	(40,019,466)
Net assets - beginning as restated	296,414,844	232,601,306	63,813,538
Net assets - ending	\$ 320,208,916	\$ 296,414,844	\$ 23,794,072
University Medical Associates			
Charges for services	\$ 313,729,425	\$ 299,256,768	\$ 14,472,657
Operating grants and contributions	21,581,692	21,630,152	(48,460)
Less: expenses	(254,134,759)	(250,463,353)	(3,671,406)
Net program revenue	81,176,358	70,423,567	10,752,791
Transfers out to state agencies/funds	(46,159,992)	(42,206,602)	(3,953,390)
Total general revenue and transfers	(46,159,992)	(42,206,602)	(3,953,390)
Change in net assets	35,016,366	28,216,965	6,799,401
Net assets - beginning	163,147,544	134,930,579	28,216,965
Net assets - ending	\$ 198,163,910	\$ 163,147,544	\$ 35,016,366
Nonmajor Enterprise Funds			
Medical University Facilities Corporation			
Operating grants and contributions	\$ 752,560	\$ 862,972	\$ (110,412)
Less: expenses	(699,918)	(800,165)	100,247
Net program revenue	52,642	62,807	(10,165)
Transfers out to state agencies/funds	(30,322)	(37,030)	6,708
Total general revenue and transfers	(30,322)	(37,030)	6,708
Change in net assets	22,320	25,777	(3,457)
Net assets - beginning	1,342,605	1,316,828	25,777
Net assets - ending	\$ 1,364,925	\$ 1,342,605	\$ 22,320
CHS Development Company			
Operating grants and contributions	\$ 1,037,591	\$ 1,065,968	\$ (28,377)
Less: expenses	(1,447,879)	(1,511,254)	63,375
Net program expense	(410,288)	(445,286)	34,998
Transfers in from state agencies/funds	691,333	689,709	1,624
Total general revenue and transfers	691,333	689,709	1,624
Change in net assets	281,045	244,423	36,622
Net assets (deficit) - beginning	423,646	179,223	244,423
Net assets (deficit) - ending	\$ 704,691	\$ 423,646	\$ 281,045

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2011**

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables, net	7,565	-	7,565
Prepaid items	-	156,349	156,349
Restricted assets			
Cash and cash equivalents	31,923	954,953	986,876
Investments	316,168	701,712	1,017,880
Interfund receivables	2,162,514	1,056,210	3,218,724
Other current assets	63,904	60,707	124,611
Total current assets	<u>2,582,074</u>	<u>2,929,931</u>	<u>5,512,005</u>
Noncurrent Assets			
Restricted assets			
Cash and cash equivalents	1,350,000	3,552,032	4,902,032
Investments	213,000	-	213,000
Interfund receivables	7,543,523	18,243,839	25,787,362
Prepaid items	-	1,802,550	1,802,550
Other noncurrent assets	91,637	699,893	791,530
Total noncurrent assets	<u>9,198,160</u>	<u>24,298,314</u>	<u>33,496,474</u>
Total assets	<u>11,780,234</u>	<u>27,228,245</u>	<u>39,008,479</u>
DEFERRED OUTFLOWS			
Deferred outflows	161,857	-	161,857
Total assets & deferred outflows	<u>11,942,091</u>	<u>27,228,245</u>	<u>39,170,336</u>
LIABILITIES			
Current liabilities			
Payables and accrued liabilities	120,656	601,825	722,481
Deferred revenue	12,653	-	12,653
Long-term liabilities	2,218,000	1,370,326	3,588,326
Total current liabilities	<u>2,351,309</u>	<u>1,972,151</u>	<u>4,323,460</u>
Noncurrent liabilities			
Long-term liabilities	8,064,000	24,551,403	32,615,403
Fair value of derivative instruments	161,857	-	161,857
Total noncurrent liabilities	<u>8,225,857</u>	<u>24,551,403</u>	<u>32,777,260</u>
Total liabilities	<u>10,577,166</u>	<u>26,523,554</u>	<u>37,100,720</u>
NET ASSETS			
Restricted			
Expendable for:			
Debt service	1,364,925	704,691	2,069,616
Total net assets	<u>\$ 1,364,925</u>	<u>\$ 704,691</u>	<u>\$ 2,069,616</u>

See accompanying independent auditors' report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Medical University Facilities Corporation</u>	<u>CHS Development Company</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues			
Interest income (used as security for revenue bonds and notes)	\$ 719,503	\$ 1,037,591	\$ 1,757,094
Other operating revenues	33,057	-	33,057
Total operating revenues	<u>752,560</u>	<u>1,037,591</u>	<u>1,790,151</u>
Operating expenses			
Interest expense	636,014	1,230,824	1,866,838
Amortization	63,904	217,055	280,959
Total operating expenses	<u>699,918</u>	<u>1,447,879</u>	<u>2,147,797</u>
Operating income (loss)	<u>52,642</u>	<u>(410,288)</u>	<u>(357,646)</u>
Income (loss) before other revenues, expenses gains, losses, and transfers	52,642	(410,288)	(357,646)
Interfund transfers	<u>(30,322)</u>	<u>691,333</u>	<u>661,011</u>
Change in net assets	22,320	281,045	303,365
Net assets at beginning of year	<u>1,342,605</u>	<u>423,646</u>	<u>1,766,251</u>
Net assets at end of year	<u>\$ 1,364,925</u>	<u>\$ 704,691</u>	<u>\$ 2,069,616</u>

See accompanying independent auditors' report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Other payments	\$ -	\$ -	\$ -
Net cash provided by operating activities	-	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund transfers	(18,538)	691,333	672,795
Net cash provided (used) by noncapital financing activities	(18,538)	691,333	672,795
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds and notes payable	(2,097,000)	(1,300,000)	(3,397,000)
Interest paid on bonds and notes payable	(654,462)	(1,268,650)	(1,923,112)
Net cash (used) by capital and related financing activities	(2,751,462)	(2,568,650)	(5,320,112)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of interfund receivables	2,016,475	1,011,199	3,027,674
Interest received on interfund receivables	715,852	866,118	1,581,970
Purchases of investments	(1,277,670)	(9,021,256)	(10,298,926)
Proceeds from sales and maturities of investments	1,277,670	11,552,555	12,830,225
Interest on investments	32,800	225,363	258,163
Net cash provided by investing activities	2,765,127	4,633,979	7,399,106
Net increase (decrease) in cash and cash equivalents	(4,873)	2,756,662	2,751,789
Cash and cash equivalents at beginning of year	1,386,796	1,750,323	3,137,119
Cash and cash equivalents at end of year	\$ 1,381,923	\$ 4,506,985	\$ 5,888,908
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 52,642	\$ (410,288)	\$ (357,646)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Amortization	63,904	217,055	280,959
Interest income	(752,560)	(1,037,591)	(1,790,151)
Interest expense	636,014	1,230,824	1,866,838
Net cash provided by operating activities	\$ -	\$ -	\$ -
Noncash transactions			
Noncash interfund transfer	\$ (11,784)	\$ -	\$ (11,784)

See accompanying independent auditors' report.

Statistical Section

(unaudited)

STATISTICAL SECTION (UNAUDITED)

This section of the comprehensive annual financial report for the Medical University of South Carolina (MUSC) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about its overall financial health.

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Revenue Capacity

These schedules contain information to help assess some of the factors affecting the ability of MUSC to generate revenues.

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Financial Trends

These schedules contain trend information to help understand how the financial performance and well-being of MUSC have changed over time.

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Debt Capacity

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ACCREDITATION STATEMENT

The Medical University of South Carolina is fully accredited by the Southern Association of Colleges and Schools (SACS), which can be contacted at 1866 Southern Lane, Decatur, GA, 30033-4097, telephone (404) 679-4500. Accreditation allows MUSC to award bachelor degrees, master degrees, doctoral and professional degrees. Additionally, each college or program is accredited by numerous national, professional, and specialized accrediting bodies. Documents describing accreditation, approval, or licensing of programs are available for review in each college dean's office by appointment.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

SCHEDULE OF REVENUES BY SOURCE LAST TEN FISCAL YEARS

Revenues	For the Year Ended June 30, (amounts expressed in thousands \$)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
The University										
Student tuition and fees (net of scholarship allowances)	\$ 69,197	\$ 62,545	\$ 55,377	\$ 49,199	\$ 46,341	\$ 39,934	\$ 34,985	\$ 27,217	\$ 22,587	\$ 21,100
Federal grants and contracts	154,409	138,760	119,783	117,734	116,302	120,472	121,834	115,469	103,271	83,239
State grants and contracts	4,761	2,936	5,278	6,158	5,368	4,343	5,066	3,392	2,765	3,292
Local grants and contracts	11	89	206	65	67	93	105	170	228	247
Nongovernmental grants and contracts	21,432	22,902	25,852	29,988	20,876	18,176	17,342	14,711	15,116	19,239
Interest on student loans receivable	-	-	-	-	-	-	-	-	-	130
Interfund services	83,646	68,423	83,025	83,161	70,960	66,973	62,602	60,086	55,822	51,425
Sales and services of educational and other activities	66,506	56,953	53,429	37,850	36,256	34,179	30,842	27,396	31,279	10,979
Auxiliary enterprises	11,038	6,686	9,782	7,470	6,898	5,514	5,248	5,838	5,971	5,178
Other operating revenues	9,672	10,634	10,534	9,901	10,110	8,797	8,304	9,505	10,141	9,302
Operating revenues	420,672	369,928	363,266	341,526	313,178	298,481	286,328	263,784	247,180	204,131
State appropriations	81,659	108,647	116,418	138,157	136,510	103,014	97,656	96,526	108,201	121,242
Gifts and grants	27,449	26,498	13,951	10,985	8,363	7,281	7,905	14,452	10,769	11,845
Investment income (losses)	9,843	6,256	(3,112)	2,472	5,548	1,554	1,448	605	2,727	2,667
Other nonoperating revenues	1,806	7,445	-	158	-	-	-	-	-	-
Nonoperating revenues	120,757	148,846	127,257	151,772	150,421	111,849	107,009	111,583	121,697	135,754
Total Revenues -- The University	\$ 541,429	\$ 518,774	\$ 490,523	\$ 493,298	\$ 463,599	\$ 410,330	\$ 393,337	\$ 375,367	\$ 368,877	\$ 339,885
Medical University Hospital Authority										
Net patient service revenue	\$ 1,012,421	\$ 980,120	\$ 885,163	\$ 802,380	\$ 733,302	\$ 681,349	\$ 624,942	\$ 578,827	\$ 535,211	\$ 507,631
Other operating revenues	15,366	17,323	17,328	19,502	15,748	16,743	13,084	9,568	13,113	10,097
Operating revenues	1,027,787	997,443	902,491	821,882	749,050	698,092	638,026	588,395	548,324	517,728
Investment income (restated for 2008 and 2009)	1,665	1,758	(1,425)	(1,241)	3,164	1,810	2,826	216	64	777
Nonoperating revenues	1,665	1,758	(1,425)	(1,241)	3,164	1,810	2,826	216	64	777
Total Revenues -- Medical University Hospital Authority	\$ 1,029,452	\$ 999,201	\$ 901,066	\$ 820,641	\$ 752,214	\$ 699,902	\$ 640,852	\$ 588,611	\$ 548,388	\$ 518,505
University Medical Associates										
Net patient service revenue	\$ 308,747	\$ 293,848	\$ 276,251	\$ 234,901	\$ 217,320	\$ 194,387	\$ 171,898	\$ 160,682	\$ 172,294	\$ 138,588
Ambulatory care and primary care agreements	4,982	5,409	7,277	8,354	8,409	8,332	8,382	8,547	12,159	38,162
Other operating revenues	8,406	12,491	13,442	11,513	10,280	7,094	4,608	4,320	3,718	6,155
Operating revenues	322,135	311,748	296,970	254,768	236,009	209,813	184,888	173,549	188,171	182,905
Investment income (losses)	9,255	5,229	(4,699)	862	5,540	1,904	1,904	395	1,615	1,419
Other nonoperating revenues	3,921	3,910	3,839	4,060	3,993	4,164	4,071	3,778	4,568	4,725
Nonoperating revenues	13,176	9,139	(860)	4,922	9,533	6,068	5,975	4,173	6,183	6,144
Total Revenues -- University Medical Associates	\$ 335,311	\$ 320,887	\$ 296,110	\$ 259,690	\$ 245,542	\$ 215,881	\$ 190,863	\$ 177,722	\$ 194,354	\$ 189,049
Nonmajor Enterprise Funds										
Interest income	\$ 1,757	\$ 1,896	\$ 2,052	\$ 2,273	\$ 2,280	\$ 2,443	\$ 2,037	\$ 1,550	\$ 1,915	\$ 2,048
Other operating revenues	33	33	39	84	100	80	6	-	100	200
Operating revenues	1,790	1,929	2,091	2,357	2,380	2,523	2,043	1,550	2,015	2,248
Investment income	-	-	-	-	-	-	-	2	-	-
Other nonoperating revenues	-	-	-	-	-	-	152	-	-	-
Nonoperating revenues	-	-	-	-	-	-	152	2	-	-
Total Revenues -- Nonmajor Enterprise Funds	\$ 1,790	\$ 1,929	\$ 2,091	\$ 2,357	\$ 2,380	\$ 2,523	\$ 2,195	\$ 1,552	\$ 2,015	\$ 2,248
Interfund Capital Leases Elimination	\$ (1,586)	\$ (1,739)	\$ (1,883)	\$ (2,017)	\$ (2,143)	\$ (2,262)	\$ (1,637)	\$ (1,324)	\$ (1,856)	\$ (1,954)
Total Revenues -- Primary Government	\$ 1,906,396	\$ 1,839,052	\$ 1,687,907	\$ 1,573,969	\$ 1,461,592	\$ 1,326,374	\$ 1,225,610	\$ 1,141,928	\$ 1,111,778	\$ 1,047,733

Note: Total Revenues - Primary Government for prior years revised to reflect the impact of the Interfund Capital Leases Elimination.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

		For the Year Ended June 30, (percent of total revenues)									
Revenues		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
The University											
Student tuition and fees (net of scholarship allowances)		3.6%	3.4%	3.3%	3.1%	3.2%	3.0%	2.9%	2.4%	2.0%	2.0%
Federal grants and contracts		8.1%	7.5%	7.1%	7.5%	8.0%	9.1%	9.9%	10.1%	9.3%	8.0%
State grants and contracts		0.2%	0.2%	0.3%	0.4%	0.4%	0.3%	0.4%	0.3%	0.2%	0.3%
Local grants and contracts		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nongovernmental grants and contracts		1.1%	1.2%	1.5%	1.9%	1.4%	1.4%	1.4%	1.3%	1.4%	1.8%
Interest on student loans receivable		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interfund Services		4.4%	3.7%	4.9%	5.3%	4.9%	5.0%	5.1%	5.3%	5.0%	4.9%
Sales and services of educational and other activities		3.5%	3.1%	3.2%	2.4%	2.4%	2.6%	2.5%	2.4%	2.8%	1.0%
Auxiliary enterprises		0.6%	0.4%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%
Other operating revenues		0.5%	0.6%	0.6%	0.6%	0.6%	0.8%	0.7%	0.8%	1.0%	0.9%
Operating revenues		22.0%	20.1%	21.5%	21.7%	21.4%	22.6%	23.3%	23.1%	22.2%	19.4%
State appropriations		4.3%	5.9%	6.9%	8.8%	9.3%	7.8%	8.0%	8.5%	9.8%	11.6%
Gifts and grants		1.5%	1.4%	0.8%	0.7%	0.6%	0.5%	0.6%	1.3%	1.0%	1.1%
Investment income (losses)		0.5%	0.4%	-0.2%	0.2%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%
Other nonoperating revenues		0.1%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-operating revenues		6.4%	8.1%	7.5%	9.7%	10.3%	8.4%	8.7%	9.9%	11.0%	13.0%
Total Revenues -- The University		28.4%	28.2%	29.0%	31.4%	31.7%	31.0%	32.0%	33.0%	33.2%	32.4%
Medical University Hospital Authority											
Net patient service revenue		53.1%	53.4%	52.5%	51.0%	50.2%	51.4%	51.0%	50.7%	48.1%	48.5%
Other operating revenues		0.8%	0.9%	1.0%	1.2%	1.1%	1.3%	1.1%	0.8%	1.2%	1.0%
Operating revenues		53.9%	54.3%	53.5%	52.2%	51.3%	52.7%	52.1%	51.5%	49.3%	49.5%
Investment income		0.1%	0.1%	0.0%	-0.1%	0.2%	0.1%	0.2%	0.0%	0.0%	0.1%
Non-operating revenues		0.1%	0.1%	0.0%	-0.1%	0.2%	0.1%	0.2%	0.0%	0.0%	0.1%
Total Revenues -- Medical University Hospital Authority		54.0%	54.4%	53.5%	52.1%	51.5%	52.8%	52.3%	51.5%	49.3%	49.6%
University Medical Associates											
Net patient service revenue		16.2%	15.9%	16.4%	14.9%	14.9%	14.7%	14.0%	14.1%	15.5%	13.2%
Ambulatory care and primary care agreements		0.3%	0.3%	0.4%	0.5%	0.6%	0.6%	0.7%	0.7%	1.1%	3.6%
Other operating revenues		0.4%	0.7%	0.8%	0.7%	0.7%	0.5%	0.4%	0.4%	0.3%	0.6%
Operating revenues		16.9%	16.9%	17.6%	16.1%	16.2%	15.8%	15.1%	15.2%	16.9%	17.4%
Investment income (losses)		0.5%	0.3%	-0.3%	0.1%	0.3%	0.1%	0.2%	0.0%	0.2%	0.1%
Other nonoperating revenues		0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%
Non-operating revenues		0.7%	0.5%	-0.1%	0.4%	0.6%	0.4%	0.5%	0.3%	0.6%	0.6%
Total Revenues -- University Medical Associates		17.6%	17.4%	17.5%	16.5%	16.8%	16.2%	15.6%	15.5%	17.5%	18.0%
Nonmajor Enterprise Funds											
Interest income		0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.2%
Other operating revenues		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating revenues		0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.2%
Investment income		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other nonoperating revenues		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating revenues		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Revenues -- Nonmajor Enterprise Funds		0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.2%
Interfund Capital Leases Elimination											
		-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.2%	-0.1%	-0.1%	-0.2%	-0.2%
Total Revenues -- Primary Government											
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Prior year percentages revised to reflect the impact of the Interfund Capital Leases Elimination.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

SCHEDULE OF EXPENSES BY USE LAST TEN FISCAL YEARS

Expenses	For the Year Ended June 30, (amounts expressed in thousands \$)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
The University										
Compensation and employee benefits	\$ 315,643	\$ 288,819	\$ 302,542	\$ 289,327	\$ 263,954	\$ 252,358	\$ 240,221	\$ 224,889	\$ 219,996	\$ 213,753
Services and supplies	203,730	204,134	184,695	179,097	165,251	128,468	121,604	115,544	122,597	99,000
Utilities	11,868	11,145	10,962	9,358	9,360	8,915	7,785	5,525	5,983	6,153
Scholarships and fellowships	9,252	8,614	8,795	9,104	8,897	8,287	8,087	5,750	5,094	5,065
Depreciation	34,687	30,947	27,223	23,287	21,613	18,667	14,065	11,761	11,953	12,089
Operating expenses	575,180	543,659	534,217	510,173	469,075	416,695	391,762	363,469	365,623	336,060
Refunds to grantors	319	406	137	240	314	462	381	647	422	403
Interest expense	9,070	8,677	5,217	4,551	3,675	3,508	3,161	3,059	4,211	4,271
(Gain) Loss on disposal of capital assets	748	959	712	984	286	279	739	(1,415)	37	316
Transfers to other state funds	185	198	250	257	810	327	321	255	128	-
Other nonoperating expenses	-	-	36	-	241	-	-	35	38	90
Nonoperating expenses	10,322	10,240	6,352	6,032	5,326	4,576	4,602	2,581	4,836	5,080
Total Expenses -- The University	\$ 585,502	\$ 553,899	\$ 540,569	\$ 516,205	\$ 474,401	\$ 421,271	\$ 396,364	\$ 366,050	\$ 370,459	\$ 341,140
Medical University Hospital Authority										
Compensation and employee benefits	\$ 444,968	\$ 412,236	\$ 392,149	\$ 388,991	\$ 314,692	\$ 283,432	\$ 255,474	\$ 241,757	\$ 225,216	\$ 357,729
Services and supplies	383,497	362,569	336,188	309,112	294,724	277,941	251,996	236,809	219,184	96,992
Utilities	12,892	12,357	12,676	12,898	10,474	9,721	8,958	7,059	6,429	4,857
Interfund services used	83,646	68,423	83,025	83,161	70,960	66,973	62,602	60,086	55,822	-
Interest expense	-	-	-	-	-	-	-	-	-	3,894
Provision for bad debt	-	-	-	-	-	-	-	-	-	24,239
Depreciation	54,467	52,601	52,093	32,379	22,946	21,158	20,260	19,524	17,365	16,987
Operating expenses	979,470	908,186	876,131	826,541	713,796	659,225	599,290	565,235	524,016	504,698
Interest expense	26,188	27,449	25,753	17,881	9,829	9,499	10,037	6,681	5,846	-
Nonoperating expenses	26,188	27,449	25,753	17,881	9,829	9,499	10,037	6,681	5,846	-
Total Expenses -- Medical University Hospital Authority	\$ 1,005,658	\$ 935,635	\$ 901,884	\$ 844,422	\$ 723,625	\$ 668,724	\$ 609,327	\$ 571,916	\$ 529,862	\$ 504,698
University Medical Associates										
Compensation and employee benefits	\$ 178,441	\$ 174,552	\$ 169,440	\$ 153,815	\$ 132,499	\$ 116,631	\$ 104,277	\$ 97,980	\$ 89,059	\$ 104,961
Services and supplies	58,494	58,037	55,121	50,070	48,364	45,830	42,150	38,057	37,767	42,225
Utilities	547	447	389	317	-	-	-	-	-	-
Provision for bad debt	-	-	-	-	-	-	-	-	21,603	16,432
Amortization	-	-	-	-	-	-	-	-	216	132
Depreciation	3,065	3,135	3,314	2,679	1,611	2,127	2,355	2,616	2,564	3,049
Operating expenses	240,547	236,171	228,264	206,881	182,474	164,588	148,782	138,653	151,209	166,799
Gifts made	9,461	9,914	5,525	6,924	3,162	937	156	138	367	775
Interest expense	4,126	4,373	6,363	5,679	5,799	5,860	5,801	5,968	6,362	6,895
Depreciation on rental property	-	-	-	-	-	-	-	-	1,146	912
(Gain) Loss on disposal of capital assets	-	6	221	(245)	2	(4)	(133)	114	499	483
Nonoperating expenses	13,587	14,293	12,109	12,358	8,963	6,793	5,824	6,220	8,374	9,065
Total Expenses -- University Medical Associates	\$ 254,134	\$ 250,464	\$ 240,373	\$ 219,239	\$ 191,437	\$ 171,381	\$ 154,606	\$ 144,873	\$ 159,583	\$ 175,864
Nonmajor Enterprise Funds										
Compensation and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54	\$ 261
Services and supplies	-	-	-	-	-	221	58	680	213	535
Interest expense	1,866	2,031	2,173	2,294	2,415	2,534	1,545	2,114	1,894	1,930
Amortization	281	281	281	281	281	281	275	191	21	17
(Gain) Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	452
Other operating expenses	-	-	-	-	-	-	-	270	25	-
Operating expenses	2,147	2,312	2,454	2,575	2,696	3,036	1,878	3,255	2,207	3,195
Nonoperating expenses	-	-	-	-	-	-	-	-	-	-
Total Expenses -- Nonmajor Enterprise Funds	\$ 2,147	\$ 2,312	\$ 2,454	\$ 2,575	\$ 2,696	\$ 3,036	\$ 1,878	\$ 3,255	\$ 2,207	\$ 3,195
Interfund Capital Leases Elimination (Note)	\$ (1,586)	\$ (1,739)	\$ (1,883)	\$ (2,017)	\$ (2,143)	\$ (2,262)	\$ (1,637)	\$ (1,324)	\$ (1,856)	\$ (1,954)
Total Expenses -- Primary Government	\$ 1,845,855	\$ 1,740,571	\$ 1,683,397	\$ 1,580,424	\$ 1,390,016	\$ 1,262,150	\$ 1,160,538	\$ 1,084,770	\$ 1,060,255	\$ 1,022,943

Note: Total Expenses - Primary Government for prior years revised to reflect the impact of the Interfund Capital Leases Elimination.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF EXPENSES BY USE
LAST TEN FISCAL YEARS**

		For the Year Ended June 30, (percent of total expenses)									
		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses											
The University											
Compensation and employee benefits		17.1%	16.6%	18.0%	18.3%	19.0%	20.0%	20.7%	20.7%	20.7%	20.9%
Services and supplies		11.0%	11.7%	11.0%	11.3%	11.8%	10.1%	10.5%	10.7%	11.7%	9.7%
Utilities		0.6%	0.6%	0.7%	0.6%	0.7%	0.7%	0.7%	0.5%	0.6%	0.6%
Scholarships and fellowships		0.5%	0.5%	0.5%	0.6%	0.6%	0.7%	0.7%	0.5%	0.5%	0.5%
Depreciation		1.9%	1.8%	1.6%	1.5%	1.6%	1.5%	1.2%	1.1%	1.1%	1.2%
Operating expenses		31.1%	31.2%	31.8%	32.3%	33.7%	33.0%	33.8%	33.5%	34.6%	32.9%
Refunds to grantors		0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%
Interest expense		0.5%	0.5%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%
(Gain) Loss on disposal of capital assets		0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.1%	-0.1%	0.0%	0.0%
Transfers to other state funds		0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Other nonoperating expenses		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating expenses		0.6%	0.6%	0.3%	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%	0.4%
Total Expenses -- The University		31.7%	31.8%	32.1%	32.7%	34.1%	33.4%	34.2%	33.8%	35.0%	33.3%
Medical University Hospital Authority											
Compensation and employee benefits		24.1%	23.7%	23.3%	24.6%	22.6%	22.5%	22.0%	22.3%	21.2%	35.0%
Services and supplies		20.8%	20.8%	20.0%	19.6%	21.2%	21.9%	21.7%	21.8%	20.8%	9.4%
Utilities		0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.7%	0.6%	0.5%
Interfund services used		4.5%	4.0%	4.9%	5.3%	5.1%	5.3%	5.4%	5.5%	5.3%	0.0%
Interest expense		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
Provision for bad debt		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%
Depreciation		3.0%	3.0%	3.1%	2.0%	1.7%	1.7%	1.7%	1.8%	1.6%	1.7%
Operating expenses		53.1%	52.2%	52.1%	52.3%	51.4%	52.2%	51.6%	52.1%	49.5%	49.4%
Interest expense		1.4%	1.6%	1.5%	1.1%	0.7%	0.8%	0.9%	0.6%	0.6%	0.0%
Nonoperating expenses		1.4%	1.6%	1.5%	1.1%	0.7%	0.8%	0.9%	0.6%	0.6%	0.0%
Total Expenses -- Medical University Hospital Authority		54.5%	53.8%	53.6%	53.4%	52.1%	53.0%	52.5%	52.7%	50.1%	49.4%
University Medical Associates											
Compensation and employee benefits		9.7%	10.0%	10.1%	9.7%	9.5%	9.2%	9.0%	9.0%	8.4%	10.3%
Services and supplies		3.2%	3.3%	3.3%	3.2%	3.5%	3.6%	3.6%	3.5%	3.6%	4.1%
Utilities		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provision for bad debt		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	1.6%
Amortization		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Depreciation		0.2%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.3%
Operating expenses		13.1%	13.5%	13.6%	13.1%	13.1%	13.0%	12.8%	12.7%	14.2%	16.3%
Gifts made		0.5%	0.6%	0.3%	0.4%	0.3%	0.1%	0.0%	0.0%	0.0%	0.1%
Interest expense		0.2%	0.3%	0.4%	0.4%	0.4%	0.5%	0.5%	0.6%	0.6%	0.7%
Depreciation on rental property		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
(Gain) Loss on disposal of capital assets		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating expenses		0.7%	0.9%	0.7%	0.8%	0.7%	0.6%	0.5%	0.6%	0.7%	0.9%
Total Expenses -- University Medical Associates		13.8%	14.4%	14.3%	13.9%	13.8%	13.6%	13.3%	13.3%	14.9%	17.2%
Nonmajor Enterprise Funds											
Compensation and employee benefits		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Services and supplies		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
Interest expense		0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%
Amortization		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(Gain) Loss on disposal of capital assets		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating expenses		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating expenses		0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.3%	0.2%	0.3%
Nonoperating expenses		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Expenses -- Nonmajor Enterprise Funds		0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.3%	0.2%	0.3%
Interfund Capital Leases Elimination		-0.1%	-0.1%	-0.1%	-0.1%	-0.2%	-0.2%	-0.1%	-0.1%	-0.2%	-0.2%
Total Expenses -- Primary Government		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Prior year percentages revised to reflect the impact of the Interfund Capital Leases Elimination.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY
LAST TEN FISCAL YEARS**

	For the Year Ended June 30, (amounts expressed in thousands \$)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses by function:										
Instruction	\$ 195,634	\$ 187,876	\$ 192,271	\$ 180,898	\$ 164,547	\$ 136,877	\$ 129,898	\$ 121,217	\$ 132,803	\$ 116,513
Research	169,227	148,542	140,638	130,597	126,864	119,065	117,024	109,516	99,871	90,302
Public service	45,523	43,018	40,452	37,434	33,089	31,337	27,124	25,450	24,762	21,476
Academic support	33,035	36,590	38,332	35,235	32,210	26,739	25,298	24,200	24,431	25,506
Student services	8,596	10,321	9,881	9,605	9,028	7,823	7,194	7,410	6,839	6,441
Institutional support	36,793	37,015	34,203	40,052	36,669	34,475	30,295	29,432	27,701	27,134
Operation and maintenance of plant	72,371	69,385	67,919	66,775	59,770	54,110	47,278	41,298	44,441	43,769
Scholarships and fellowships	3,385	3,176	3,653	3,747	2,022	2,025	3,780	1,676	1,525	2,087
Auxiliary enterprises	10,616	7,736	6,868	5,830	4,876	4,244	3,871	3,270	3,250	2,832
Refunds to grantors	319	406	137	240	314	462	381	647	422	403
Interest expense	9,070	8,677	5,217	4,551	3,675	3,508	3,161	3,059	4,211	4,271
(Gain) loss on disposal of capital assets	748	959	712	984	286	279	739	(1,415)	37	316
Transfers to other State funds	185	198	250	257	810	327	321	255	128	-
Other non-operating expenses	-	-	36	-	241	-	-	35	38	90
Total expenses by function	\$ 585,502	\$ 553,899	\$ 540,569	\$ 516,205	\$ 474,401	\$ 421,271	\$ 396,364	\$ 366,050	\$ 370,459	\$ 341,140

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY
LAST TEN FISCAL YEARS**

	For the Year Ended June 30, (percent of total expenses)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses:										
Instruction	33.4%	33.9%	35.6%	35.0%	34.7%	32.5%	32.8%	33.1%	35.8%	34.2%
Research	28.9%	26.8%	26.0%	25.3%	26.7%	28.3%	29.5%	29.9%	27.0%	26.5%
Public services	7.8%	7.8%	7.5%	7.3%	7.0%	7.4%	6.8%	7.0%	6.7%	6.3%
Academic support	5.6%	6.6%	7.1%	6.8%	6.8%	6.3%	6.4%	6.6%	6.6%	7.5%
Student services	1.5%	1.9%	1.8%	1.9%	1.9%	1.9%	1.8%	2.0%	1.8%	1.9%
Institutional support	6.3%	6.7%	6.3%	7.8%	7.7%	8.2%	7.6%	8.0%	7.5%	8.0%
Operation and maintenance of plant	12.4%	12.5%	12.6%	12.9%	12.6%	12.8%	11.9%	11.3%	12.0%	12.8%
Scholarships and fellowships	0.6%	0.6%	0.7%	0.7%	0.4%	0.5%	1.0%	0.5%	0.4%	0.6%
Auxiliary enterprises	1.8%	1.4%	1.3%	1.1%	1.0%	1.0%	1.0%	0.9%	0.9%	0.8%
Refunds to grantors	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%
Interest expense	1.5%	1.6%	1.0%	0.9%	0.8%	0.8%	0.8%	0.8%	1.1%	1.3%
(Gain) loss on disposal of capital assets	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.2%	-0.4%	0.0%	0.0%
Transfers to other State funds	0.0%	0.0%	0.0%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%
Other non-operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF NET ASSETS
LAST NINE FISCAL YEARS**

	For the Year Ended June 30, (amounts expressed in thousands \$)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
The University										
Invested in capital assets, net of related debt	\$ 399,743	\$ 365,977	\$ 327,486	\$ 320,983	\$ 288,316	\$ 270,028	\$ 247,812	\$ 184,822	\$ 154,987	\$ 138,621
Restricted - nonexpendable	66,754	52,446	42,430	31,712	23,609	20,669	10,209	943	925	909
Restricted - expendable	43,905	31,102	26,075	37,191	40,734	26,207	21,324	29,747	25,418	15,974
Unrestricted	71,796	68,914	58,595	50,242	44,896	41,888	39,879	39,996	22,506	20,818
Net assets -- The University	582,198	518,439	454,586	440,128	397,555	358,792	319,224	255,508	203,836	176,322
Medical University Hospital Authority										
Invested in capital assets, net of related debt	78,732	78,737	70,482	80,805	56,689	61,407	42,700	98,459	78,816	58,047
Restricted - expendable	92,972	89,269	73,837	73,625	71,975	67,782	71,189	17,556	-	-
Unrestricted	148,505	128,409	88,282	78,741	128,841	101,937	86,611	64,149	85,206	93,259
Net assets -- Medical University Hospital Authority	320,209	296,415	232,601	233,171	257,505	231,126	200,500	180,164	164,022	151,306
University Medical Associates										
Invested in capital assets, net of related debt	17,452	11,681	10,563	2,290	2,952	330	(2,414)	(518)	(1,329)	826
Restricted - expendable	-	-	-	24,256	22,448	20,377	19,531	16,522	15,692	12,618
Unrestricted	180,712	151,466	124,368	98,406	89,851	66,937	47,243	27,825	12,358	(11,208)
Net assets -- University Medical Associates	198,164	163,147	134,931	124,952	115,251	87,644	64,360	43,829	26,721	2,236
Nonmajor Enterprise Funds										
Restricted - expendable	2,070	1,766	1,496	1,344	1,345	1,047	1,812	1,093	1,333	1,398
Unrestricted	-	-	-	(69)	-	-	(8,923)	(8,993)	(7,489)	(7,328)
Net assets -- Nonmajor Enterprise Funds	2,070	1,766	1,496	1,275	1,345	1,047	(7,111)	(7,900)	(6,156)	(5,930)
Net assets - Primary Government	\$ 1,102,641	\$ 979,767	\$ 823,614	\$ 799,526	\$ 771,656	\$ 678,609	\$ 576,973	\$ 471,601	\$ 388,423	\$ 323,934
Total Primary Government										
Invested in capital assets, net of related debt	\$ 495,927	\$ 456,395	\$ 408,531	\$ 404,078	\$ 347,957	\$ 331,765	\$ 288,098	\$ 282,763	\$ 232,474	\$ 197,494
Restricted - nonexpendable	66,754	52,446	42,430	31,712	23,609	20,669	10,209	943	925	909
Restricted - expendable	138,947	122,137	101,408	136,416	136,502	115,413	113,856	64,918	42,443	29,990
Unrestricted	401,013	348,789	271,245	227,320	263,588	210,762	164,810	122,977	112,581	95,541
Net assets - Primary Government	\$ 1,102,641	\$ 979,767	\$ 823,614	\$ 799,526	\$ 771,656	\$ 678,609	\$ 576,973	\$ 471,601	\$ 388,423	\$ 323,934

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS**

	For the Year Ended June 30, (amounts expressed in thousands \$)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
The University										
Income (loss) before other revenues, expenses, gains or losses	\$ (44,073)	\$ (35,125)	\$ (50,046)	\$ (22,907)	\$ (10,802)	\$ (10,941)	\$ (3,027)	\$ 9,317	\$ (1,582)	\$ (1,255)
State capital appropriations	23,638	22,005	2,523	11,382	6,808	5,271	2,868	239	2,341	1,164
Capital grants and gifts	24,402	25,669	6,357	14,863	11,350	13,660	28,182	25,781	10,154	6,259
Additions to permanent endowments	14,293	9,998	10,698	8,080	3,418	10,443	9,250	-	-	-
Interfund transfers	45,499	41,306	44,926	31,155	27,989	21,135	26,444	16,334	16,602	9,071
Changes in net assets -- The University	63,759	63,853	14,458	42,573	38,763	39,568	63,717	51,671	27,515	15,239
Medical University Hospital Authority										
Income (loss) before other revenues, expenses, gains or losses (restated for 2008 and 2009)	23,794	63,566	(818)	(23,781)	28,589	31,178	31,525	16,695	18,526	13,807
Interfund transfers	-	248	248	(553)	(2,210)	(552)	(11,189)	(552)	(5,810)	(3,751)
Changes in net assets -- Medical University Hospital Authority	23,794	63,814	(570)	(24,334)	26,379	30,626	20,336	16,143	12,716	10,056
University Medical Associates										
Income before other revenues, expenses, gains or losses	81,177	70,423	55,737	40,451	54,105	44,500	36,257	32,849	34,771	13,185
Interfund transfers	(46,160)	(42,207)	(45,758)	(30,750)	(26,393)	(21,216)	(15,726)	(15,741)	(10,757)	(5,375)
Special item - disposition of primary care practice	-	-	-	-	(105)	-	-	-	(457)	(2,571)
Extraordinary item - relator's legal fee settlement	-	-	-	-	-	-	-	-	927	(2,150)
Changes in net assets -- University Medical Associates	35,017	28,216	9,979	9,701	27,607	23,284	20,531	17,108	24,484	3,089
Nonmajor Enterprise Funds										
Income (loss) before other revenues, expenses, gains or losses	(357)	(383)	(363)	(218)	(316)	(513)	317	(1,703)	(192)	(947)
Interfund transfers	661	653	584	148	614	633	471	(41)	(34)	(44)
Liquidation gain	-	-	-	-	-	8,038	-	-	-	-
Extraordinary loss on early extinguishment of debt	-	-	-	-	-	-	-	-	-	(576)
Changes in net assets -- Nonmajor Enterprise Funds	304	270	221	(70)	298	8,158	788	(1,744)	(226)	(1,567)
Primary Government										
Total changes in net assets	122,874	156,153	24,088	27,870	93,047	101,636	105,372	83,178	64,489	26,817
Net assets, beginning	979,767	823,614	799,526	771,656	678,609	576,973	471,601	388,423	323,934	297,117
Net assets, ending	\$ 1,102,641	\$ 979,767	\$ 823,614	\$ 799,526	\$ 771,656	\$ 678,609	\$ 576,973	\$ 471,601	\$ 388,423	\$ 323,934

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF BOND COVERAGE – UNIVERSITY
LAST TEN FISCAL YEARS**

(amounts expressed in thousands except for coverage ratio)

State Institution Bonds (Note 1)

Year ending June 30,	Tuition	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2011	\$ 10,656	\$ 10,656	\$ 3,505	\$ 1,568	\$ 5,073	2.10
2010	8,612	8,612	3,390	1,717	5,107	1.69
2009	8,400	8,400	3,270	1,858	5,128	1.64
2008	8,400	8,400	3,135	1,992	5,127	1.64
2007	8,400	8,400	3,495	2,162	5,657	1.48
2006	8,400	8,400	3,475	2,300	5,775	1.45
2005	7,200	7,200	3,120	2,624	5,744	1.25
2004	6,776	6,776	2,565	2,534	5,099	1.33
2003	6,549	6,549	2,090	2,117	4,207	1.56
2002	5,627	5,627	1,645	2,035	3,680	1.53

Revenue Bonds Parking (Note 2)

Year ending June 30,	Parking Revenue	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2011	\$ -	\$ -	\$ -	\$ -	\$ -	-
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-
2008	-	-	-	-	-	-
2007	-	-	-	-	-	-
2006	-	-	-	-	-	-
2005	-	-	-	-	-	-
2004	2,234	2,234	2,155	79	2,234	1.00
2003	855	855	525	186	711	1.20
2002	855	855	490	221	711	1.20

Note 1: Bonds secured by tuition revenue.

Note 2: Bonds secured by parking revenue.

Source: The Medical University of South Carolina Controller's Office.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF RATIOS OF OUTSTANDING DEBT – UNIVERSITY
LAST TEN FISCAL YEARS**

	For the Year Ended June 30,									
	(dollars expressed in thousands except for outstanding debt per student)									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General obligation bonds payable, net	\$ 52,042	\$ 36,517	\$ 39,826	\$ 43,016	\$ 47,095	\$ 49,485	\$ 52,880	\$ 55,985	\$ 46,550	\$ 40,640
State bond anticipation notes	30,000	30,000	30,000	30,000	-	-	-	-	-	-
Revenue bonds, net	34,785	35,900	36,975	38,000	38,000	-	-	-	2,155	2,680
Energy note payable	7,882	14,374	15,387	-	-	-	-	-	-	-
Capital lease obligations	1,555	1,899	3,354	4,569	5,061	3,912	1,102	638	861	231
Due to component unit	45,927	46,378	46,736	-	-	-	-	-	-	-
Interfund payables	29,006	32,045	34,920	37,641	40,218	42,656	44,968	21,848	23,461	24,122
Total outstanding debt	<u>\$ 201,197</u>	<u>\$ 197,113</u>	<u>\$ 207,198</u>	<u>\$ 153,226</u>	<u>\$ 130,374</u>	<u>\$ 96,053</u>	<u>\$ 98,950</u>	<u>\$ 78,471</u>	<u>\$ 73,027</u>	<u>\$ 67,673</u>
 Full-time equivalent students	 2,871	 2,776	 2,755	 2,816	 2,777	 2,734	 2,577	 2,381	 2,321	 2,275
Outstanding debt per student	\$ 70,079	\$ 71,006	\$ 75,208	\$ 54,413	\$ 46,948	\$ 35,133	\$ 38,397	\$ 32,957	\$ 31,464	\$ 29,746

Note: Outstanding debt per student was calculated using full-time equivalent student enrollment data for the fiscal year's Fall term.

Source: Medical University of South Carolina Comprehensive Annual Financial Report and Office of Enrollment Services.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF PLEDGED REVENUE COVERAGE – UMA
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Net Clinical Service Revenues	Less Operating Expenses	Net Available Revenue	Variable Rate Securities and Notes Payable			Coverage
				Principal	Interest	Total	
2011	\$ 308,747,008	\$ 236,573,700	\$ 72,173,308	\$ 3,791,500	\$ 4,110,334	\$ 7,901,834	9.13
2010	293,847,793	232,075,430	61,772,363	3,791,500	4,355,901	8,147,401	7.58
2009	276,251,035	223,545,159	52,705,876	1,579,792	6,668,058	8,247,850	6.39
2008	234,901,456	201,966,544	32,934,912	2,650,000	5,671,047	8,321,047	3.96
2007	217,320,428	178,081,321	39,239,107	2,500,000	5,798,569	8,298,569	4.73
2006	192,331,390	160,078,127	32,253,263	2,400,000	5,866,286	8,266,286	3.90
2005	171,897,964	144,529,159	27,368,805	1,900,000	5,747,368	7,647,368	3.58
2004	160,681,940	134,472,062	26,209,878	2,450,000	5,835,490	8,285,490	3.16
2003	150,690,643	125,675,028	25,015,615	1,400,000	5,928,114	7,328,114	3.41
2002	122,156,674	119,693,610	2,463,064	1,750,000	6,179,359	7,929,359	0.31

Note: Operating expenses are net of Ambulatory Care Clinical Education Agreement expenses which are fully reimbursed under the agreement.

Source: University Medical Associates Comprehensive Annual Financial Reports.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF RATIOS OF OUTSTANDING DEBT – UMA
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Variable Rate Debt	Capital Lease Obligations	Notes Payable	Structured Legal Settlement	Total Outstanding Debt	Net Clinical Service Revenue	Outstanding Debt as Percentage of:		Per Capita
							Net Clinical Service Revenue	Personal Income	
2011	\$ 62,085,000	\$ -	\$ 28,800,805	\$ -	\$ 90,885,805	\$ 308,747,008	29.44%	0.06%	\$ 20
2010	62,085,000	27,496	32,663,256	-	94,775,752	293,847,793	32.25%	0.06%	21
2009	62,085,000	89,559	36,335,208	-	98,509,767	276,251,035	35.66%	0.07%	22
2008	85,100,000	151,145	-	-	85,251,145	234,901,456	36.29%	0.06%	20
2007	87,750,000	155,877	-	-	87,905,877	217,320,428	40.45%	0.07%	21
2006	90,250,000	242,981	-	-	90,492,981	192,331,390	47.05%	0.07%	21
2005	92,650,000	241,688	-	-	92,891,688	171,897,964	54.04%	0.08%	22
2004	94,550,000	580,409	-	840,000	95,970,409	160,681,940	59.73%	0.09%	23
2003	97,000,000	1,136,116	44,355	1,680,000	99,860,471	150,690,643	66.27%	0.09%	24
2002	98,400,000	1,720,951	88,432	2,520,000	102,729,383	122,156,674	84.10%	0.10%	25

Source: University Medical Associates Comprehensive Annual Financial Reports.

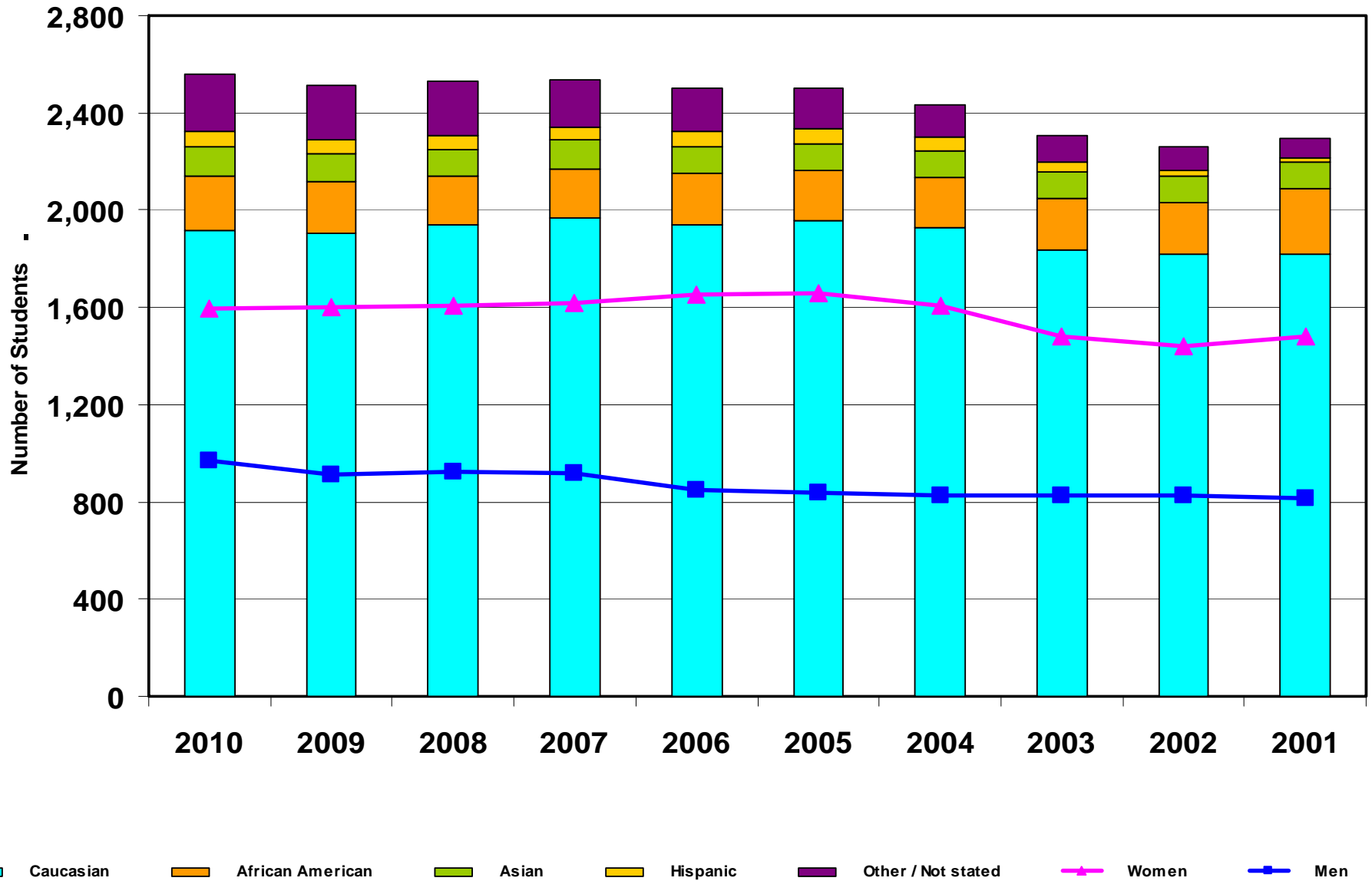
MEDICAL UNIVERSITY OF SOUTH CAROLINA

**ENROLLMENT STATISTICS – UNIVERSITY
LAST TEN ACADEMIC YEARS
FALL ENROLLMENTS**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
ENROLLMENT										
LEVEL										
Undergraduate	237	267	319	272	289	285	353	322	357	400
Graduate	1,051	1,027	1,032	1,105	1,061	1,082	973	898	865	888
First Professional	1,272	1,220	1,181	1,161	1,152	1,133	1,108	1,085	1,041	1,009
STATUS										
Full-Time	2,360	2,287	2,261	2,206	2,234	2,046	2,171	2,034	1,989	1,899
Part-Time	200	227	271	332	268	454	263	271	274	398
ORIGIN										
In State	1,939	1,908	1,941	1,934	1,943	1,954	1,974	1,901	1,878	1,941
Out of State	580	567	547	565	522	495	415	363	348	318
Foreign	41	39	44	39	37	51	45	41	37	38
RACE/ETHNICITY										
Caucasian	1,917	1,904	1,942	1,968	1,942	1,958	1,928	1,836	1,816	1,821
African American	221	212	198	202	208	204	209	214	218	267
Asian	122	114	110	119	112	113	108	110	106	108
Hispanic	66	60	56	54	64	61	57	35	25	20
Other / Not stated	234	224	226	195	176	164	132	110	98	81
GENDER										
Women	1,593	1,601	1,607	1,619	1,653	1,660	1,605	1,481	1,438	1,482
Men	967	913	925	919	849	840	829	824	825	815
COLLEGES										
Medicine	697	670	642	620	609	598	594	604	585	574
Pharmacy	320	315	314	319	319	315	297	265	242	227
Nursing	374	351	343	330	339	368	390	364	324	374
Graduate Studies	152	159	182	200	210	238	247	218	214	176
Dental Medicine	255	235	225	222	224	220	217	216	214	208
Health Professions	737	760	802	822	781	735	675	613	661	695
Non-Degree Seeking	25	24	24	25	20	26	14	25	23	43
Total enrollment	2,560	2,514	2,532	2,538	2,502	2,500	2,434	2,305	2,263	2,297

Source: Medical University of South Carolina Office of Enrollment Services.

University Enrollment by Race/Ethnicity and Gender



MEDICAL UNIVERSITY OF SOUTH CAROLINA

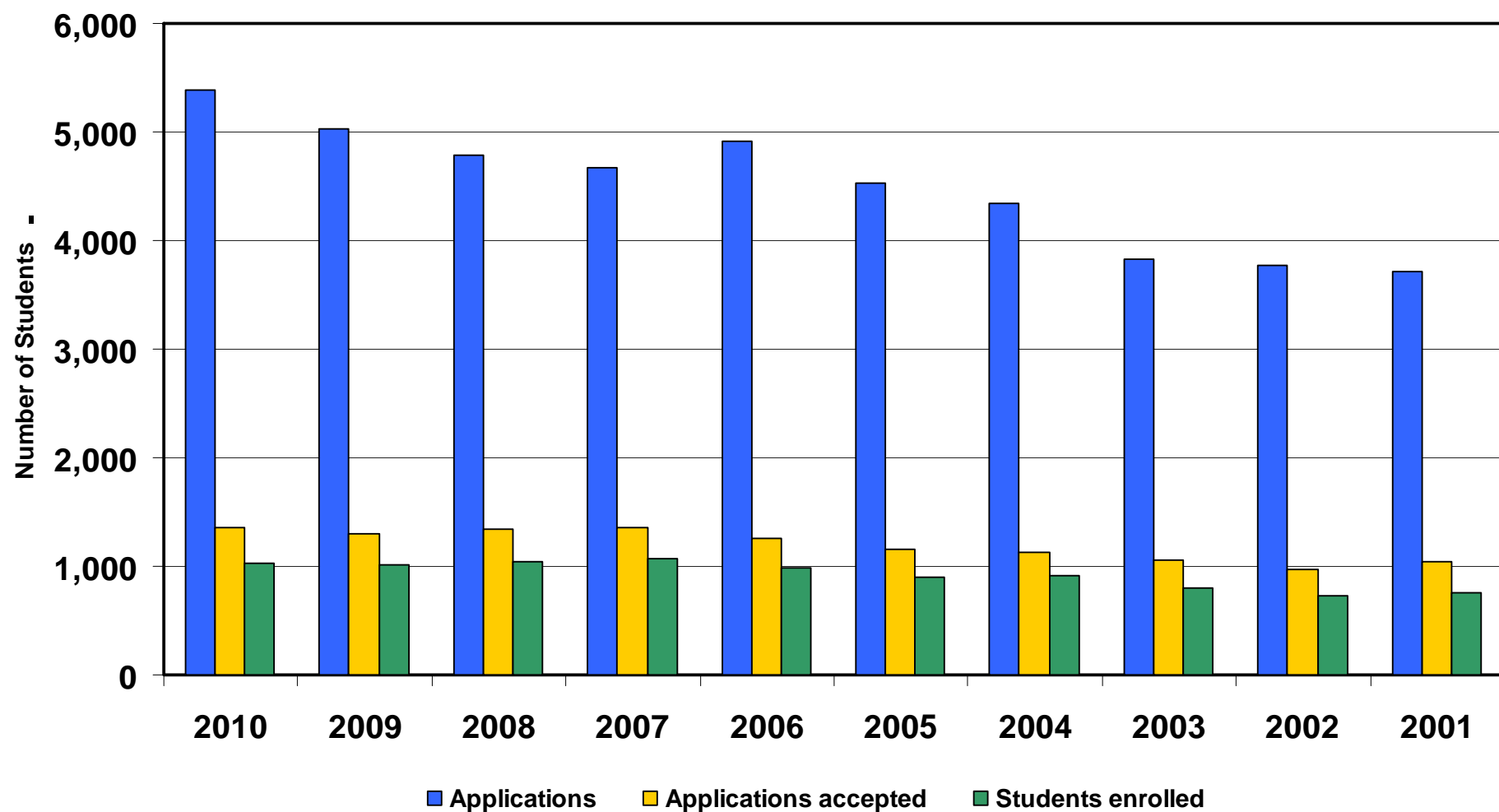
**ADMISSIONS AND DEGREE STATISTICS – UNIVERSITY
LAST TEN ACADEMIC YEARS
FALL ENROLLMENTS**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<u>ADMISSIONS</u>										
Applications	5,379	5,028	4,786	4,673	4,919	4,528	4,346	3,829	3,770	3,717
Applications accepted	1,358	1,307	1,337	1,354	1,256	1,164	1,122	1,064	969	1,039
Percentage of applications accepted	25.2%	26.0%	27.9%	29.0%	25.5%	25.7%	25.8%	27.8%	25.7%	28.0%
Students enrolled	1,034	1,020	1,036	1,065	982	902	909	803	726	755
Enrolled as a percentage of accepted	76.1%	78.0%	77.5%	78.7%	78.2%	77.5%	81.0%	75.5%	74.9%	72.7%
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<u>DEGREES GRANTED</u>										
Bachelor	173	194	172	193	190	188	161	168	222	192
Master	277	292	293	346	306	255	243	245	248	283
First Professional	267	270	276	261	266	243	235	232	232	224
Doctoral	85	114	152	57	29	32	21	40	29	45
Total	802	870	893	857	791	718	660	685	731	744

Note: As of 2006, admissions figures include all applicants to The South Carolina College of Pharmacy.

Source: Medical University of South Carolina Office of Enrollment Services.

University Admissions



MEDICAL UNIVERSITY OF SOUTH CAROLINA

**ANNUAL TUITION BY COLLEGE – UNIVERSITY
LAST TEN ACADEMIC YEARS**

<u>RESIDENT</u>											
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	
Undergraduate											
Health Professions	\$ 20,250	\$ 19,374	\$ 17,361	\$ 16,533	\$ 15,747	\$ 14,316	\$ 8,646	\$ 7,146	\$ 6,382	\$ 9,183	
Nursing	20,316	18,987	17,418	15,837	15,084	13,590	12,135	10,029	9,117	8,289	
Graduate											
Dental Medicine	38,162	36,345	31,064	26,551	22,500	19,068	16,024	12,972	11,913	11,199	
Graduate Studies	17,049	15,498	14,483	13,166	12,861	12,121	11,664	10,085	8,769	7,840	
Health Professions	20,899	21,289	18,338	17,058	16,245	14,316	13,131	11,309	9,693	9,300	
Medicine	31,204	29,438	25,598	23,270	21,688	19,716	18,600	15,712	13,302	12,092	
Nursing	22,065	21,015	18,765	17,058	16,245	14,766	13,185	10,896	9,906	9,006	
Pharmacy	20,757	19,411	17,647	15,330	14,460	13,144	11,878	10,089	9,180	8,700	
<u>NON-RESIDENT</u>											
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	
Undergraduate											
Health Professions	\$ 30,870	\$ 35,726	\$ 46,767	\$ 44,538	\$ 42,417	\$ 38,562	\$ 36,204	\$ 29,922	\$ 26,715	\$ 25,827	
Nursing	33,399	33,399	30,264	43,377	41,310	37,215	33,228	27,462	24,966	22,695	
Graduate											
Dental Medicine	67,023	63,831	81,455	74,050	62,754	53,181	44,690	36,084	33,105	31,125	
Graduate Studies	25,017	22,741	18,192	16,536	16,195	15,296	14,319	13,370	11,641	10,579	
Health Professions	27,622	34,329	30,943	34,011	32,391	29,445	27,480	23,657	20,277	19,575	
Medicine	55,936	52,770	72,380	65,800	61,344	55,768	52,610	44,442	37,622	34,202	
Nursing	36,543	34,803	30,264	27,513	26,202	23,604	21,075	17,418	15,831	14,391	
Pharmacy	31,000	29,000	35,294	36,400	34,333	32,270	29,336	27,330	24,870	22,073	

- Notes: 1) Except for Medicine, the tuition calculation includes three semesters (Fall, Spring, and Summer) and does not include web-based programs.
2) Effective 2009, Medicine discontinued its summer semester. For comparative purposes, all prior years for Medicine have been restated to reflect two semesters (Fall and Spring).
3) Health Professions tuition calculation reflects an average of the individual programs.
4) Graduate Studies tuition calculation includes Ph.D. students only.
5) Pharmacy 2000-2007 reflects MUSC College of Pharmacy; 2008-2009 reflects South Carolina College of Pharmacy.

Source: Medical University of South Carolina Student Accounting Department.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**CLINICAL ACTIVITY – AUTHORITY
LAST TEN FISCAL YEARS**

	Fiscal Year Ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Licensed Beds	709	709	709	709	709	709	709	709	709	709
Patient Days	209,856	201,046	189,478	188,005	187,212	179,990	180,847	178,070	176,656	170,334
Average Census	575	551	524	515	513	493	495	487	484	467
Average Length of Stay	6.2	5.8	5.7	5.4	5.4	5.7	5.9	6.0	6.0	5.9
Admissions	34,295	34,735	33,704	33,728	33,567	31,578	30,646	29,630	29,242	29,002
Outpatient Registrations	951,118	947,319	916,517	846,757	773,045	737,789	696,544	645,418	610,373	592,112
Emergency/Trauma Visits	74,292	75,352	72,512	70,589	63,473	62,518	58,580	53,584	50,486	51,582
Surgical Procedures	25,079	25,611	24,869	22,058	20,961	20,412	18,654	18,183	17,444	16,146
Number of Deliveries	2,228	1,851	1,997	2,676	2,633	2,313	2,181	2,131	1,856	1,858
Medicare Case Mix Index	2.08	2.02	2.03	1.89	1.86	1.88	1.88	1.87	1.81	1.70
Percent of Total Charges:										
Blue Cross	19.5%	18.7%	18.8%	17.1%	17.1%	17.2%	16.3%	16.9%	16.3%	15.2%
Medicare	32.6%	32.6%	32.2%	29.1%	29.1%	30.2%	31.8%	31.3%	31.1%	30.8%
Medicaid	19.7%	19.0%	17.9%	18.4%	19.0%	22.2%	22.1%	21.0%	21.2%	22.0%
Private Insurance / Managed Care	11.8%	13.0%	14.3%	15.9%	15.6%	18.1%	19.3%	18.9%	20.6%	21.0%
Med. Ind./Self Pay/Other	16.4%	16.7%	16.8%	19.5%	19.2%	12.3%	10.5%	11.9%	10.8%	11.0%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Medical University Hospital Authority Keane Patient Financial System.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**OUTPATIENT VISITS BY SPECIALTY – UMA
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Specialty							Total
	Medicine	Family Medicine	Obstetrics/ Gynecology	Pediatrics	Ophthalmology	Surgery	All Others	
2011	380,642 32.87%	84,686 7.31%	112,231 9.69%	106,711 9.22%	45,027 3.89%	74,519 6.44%	354,160 30.58%	1,157,976 100.00%
2010	416,066 36.21%	104,881 9.13%	106,773 9.29%	113,969 9.92%	45,280 3.94%	73,177 6.37%	288,975 25.14%	1,149,121 100.00%
2009	360,190 33.79%	89,541 8.40%	104,763 9.83%	114,216 10.71%	53,049 4.98%	68,354 6.41%	275,993 25.88%	1,066,106 100.00%
2008	282,534 29.67%	77,622 8.15%	106,775 11.21%	111,654 11.72%	53,382 5.61%	63,857 6.71%	256,527 26.93%	952,351 100.00%
2007	258,963 29.12%	77,758 8.74%	99,467 11.18%	107,382 12.07%	52,425 5.89%	61,920 6.96%	231,513 26.04%	889,428 100.00%
2006	254,180 31.53%	69,629 8.64%	84,661 10.50%	101,627 12.61%	45,950 5.70%	55,737 6.91%	194,413 24.11%	806,197 100.00%
2005	238,028 30.72%	72,607 9.37%	91,354 11.79%	98,923 12.77%	42,333 5.46%	53,704 6.93%	177,900 22.96%	774,849 100.00%
2004	141,480 26.67%	64,060 12.07%	61,235 11.54%	55,281 10.42%	36,567 6.89%	35,618 6.71%	136,333 25.70%	530,574 100.00%
2003	133,082 26.71%	63,714 12.79%	58,201 11.68%	50,430 10.12%	32,320 6.49%	35,991 7.22%	124,470 24.99%	498,208 100.00%
2002	126,767 25.99%	59,196 12.14%	56,296 11.54%	45,928 9.42%	38,427 7.88%	37,432 7.68%	123,664 25.35%	487,710 100.00%

Source: University Medical Associates Medical Records System.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SOURCES OF GROSS CLINICAL SERVICE CHARGES – UMA
LAST TEN FISCAL YEARS**

<u>Source</u>	Fiscal Year Ended June 30,									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Medicare	32%	32%	32%	30%	30%	29%	29%	28%	27%	28%
Medicaid	20%	19%	19%	18%	20%	21%	22%	20%	21%	21%
Blue Cross/Blue Shield	25%	25%	26%	25%	25%	25%	24%	23%	22%	20%
Commercial insurance	1%	2%	2%	2%	2%	3%	3%	4%	5%	8%
All other (including Managed Care)	22%	22%	21%	25%	23%	22%	22%	25%	25%	23%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Source: University Medical Associates Medical Records System.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

EMPLOYEE STATISTICS – UNIVERSITY AND AUTHORITY
LAST TEN FISCAL YEARS
(AS OF JANUARY 1)

THE UNIVERSITY	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Employees										
Permanent Full-time and Part-time Employees										
Full-time classified	1,527	1,489	1,582	1,537	1,494	1,522	1,476	1,541	1,594	1,603
Part-time classified	49	48	52	52	45	33	42	39	35	37
Full-time unclassified	1,174	1,146	1,175	1,128	1,084	1,039	1,005	945	909	911
Part-time unclassified	250	242	250	229	233	219	228	225	235	229
Total	<u>3,000</u>	<u>2,925</u>	<u>3,059</u>	<u>2,946</u>	<u>2,856</u>	<u>2,813</u>	<u>2,751</u>	<u>2,750</u>	<u>2,773</u>	<u>2,780</u>
Other Categories										
Residents	642	639	622	592	543	562	565	563	554	557
Pre/post doctoral fellows	143	160	160	197	172	188	203	180	205	198
Temporary	1,117	1,001	982	1,014	958	947	947	812	778	725
Dual employment-other agencies	4	10	4	14	16	18	20	33	22	17
Total	<u>1,906</u>	<u>1,810</u>	<u>1,768</u>	<u>1,817</u>	<u>1,689</u>	<u>1,715</u>	<u>1,735</u>	<u>1,588</u>	<u>1,559</u>	<u>1,497</u>
Total Employees	<u>4,906</u>	<u>4,735</u>	<u>4,827</u>	<u>4,763</u>	<u>4,545</u>	<u>4,528</u>	<u>4,486</u>	<u>4,338</u>	<u>4,332</u>	<u>4,277</u>
AUTHORITY	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Employees										
Permanent Full-time and Part-time Employees										
Full-time classified	3,586	4,958	3,474	3,360	3,136	2,879	2,827	2,799	2,715	2,376
Part-time classified	2,120	435	1,745	1,579	1,330	1,243	1,063	976	916	806
Full-time unclassified	47	45	45	41	44	41	68	68	66	64
Part-time unclassified	2	1	1	1	-	-	5	3	4	3
Total	<u>5,755</u>	<u>5,439</u>	<u>5,265</u>	<u>4,981</u>	<u>4,510</u>	<u>4,163</u>	<u>3,963</u>	<u>3,846</u>	<u>3,701</u>	<u>3,249</u>
Other Categories										
Classified	10	1	-	3	-	1	1	1	1	2
Residents	2	-	1	1	-	1	-	1	1	-
Students	23	20	8	10	15	23	24	28	33	32
Temporary	624	572	658	694	741	772	765	788	684	582
Total	<u>659</u>	<u>593</u>	<u>667</u>	<u>708</u>	<u>756</u>	<u>797</u>	<u>790</u>	<u>818</u>	<u>719</u>	<u>616</u>
Total Employees	<u>6,414</u>	<u>6,032</u>	<u>5,932</u>	<u>5,689</u>	<u>5,266</u>	<u>4,960</u>	<u>4,753</u>	<u>4,664</u>	<u>4,420</u>	<u>3,865</u>

Source: Medical University of South Carolina Office of Human Resources Management and Medical University Hospital Authority Human Resources.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**EMPLOYEE STATISTICS – UMA
LAST TEN FISCAL YEARS**

	Full-Time Equivalent Employees as of June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Departmental										
Full-time	419	389	366	305	282	231	200	193	234	233
Part-time	17	13	17	38	31	28	24	23	28	28
Temporary	8	8	5	9	12	6	5	5	6	6
Total Departmental	<u>444</u>	<u>410</u>	<u>388</u>	<u>352</u>	<u>325</u>	<u>265</u>	<u>229</u>	<u>221</u>	<u>268</u>	<u>267</u>
Corporate										
Full-time	327	325	312	303	311	297	289	294	218	249
Part-time	1	1	6	3	7	7	7	7	5	6
Temporary	2	3	1	1	2	6	6	6	4	5
Total Corporate	<u>330</u>	<u>329</u>	<u>319</u>	<u>307</u>	<u>320</u>	<u>310</u>	<u>302</u>	<u>307</u>	<u>227</u>	<u>260</u>
Ambulatory Care										
Full-time	15	13	16	17	23	18	15	16	15	385
Part-time	-	-	-	1	1	-	-	-	-	28
Temporary	-	-	-	-	-	1	1	1	1	27
Total Ambulatory Care	<u>15</u>	<u>13</u>	<u>16</u>	<u>18</u>	<u>24</u>	<u>19</u>	<u>16</u>	<u>17</u>	<u>16</u>	<u>440</u>
Total Employees	789	752	723	677	669	594	547	545	511	967
Vacant Positions	<u>95</u>	<u>122</u>	<u>70</u>	<u>125</u>	<u>79</u>	<u>41</u>	<u>31</u>	<u>19</u>	<u>56</u>	<u>27</u>
Total Authorized Positions	<u>884</u>	<u>874</u>	<u>793</u>	<u>802</u>	<u>748</u>	<u>635</u>	<u>578</u>	<u>564</u>	<u>567</u>	<u>994</u>

Notes: 1) Excludes physician members.

2) Effective July 1, 2002, the majority of Ambulatory Care employees were transferred to the Medical University Hospital Authority.

Source: University Medical Associates Human Resources.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF CAPITAL ASSET INFORMATION – UNIVERSITY
LAST TEN FISCAL YEARS**

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Academic buildings										
Net assignable square feet (in thousands)	2,722	2,611	2,215	2,140	2,100	2,405	2,382	2,208	2,187	2,143
Administrative and support buildings										
Net assignable square feet (in thousands)	371	315	412	386	377	474	487	369	359	382
Laboratories										
Net assignable square feet (in thousands)	359	620	356	325	313	309	288	244	244	235
Athletic Facilities										
Fitness center	1	1	1	1	1	1	1	1	1	1
Gymnasium	1	1	1	1	1	1	1	1	1	1
Pool	1	1	1	1	1	1	1	1	1	1
Squash courts	2	1	1	1	2	2	2	2	2	2
Indoor racquetball court	4	4	4	4	4	4	4	4	4	4
Outdoor racquetball court	3	3	3	3	3	3	3	3	3	3
Tennis court	4	4	4	4	4	4	4	4	4	4
Transportation:										
Airplane	-	1	1	1	1	1	1	1	1	1
Bus	12	12	12	10	10	10	10	7	5	3
Mobile health units	5	5	3	3	3	2	2	2	2	2
Other vehicles	73	82	81	88	86	90	84	78	75	67

Source: Medical University of South Carolina Planning office & Medical University of South Carolina Property Control office.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

DEMOGRAPHIC STATISTICS
STATE OF SOUTH CAROLINA
LAST TEN FISCAL YEARS

	<u>Population as of July 1 (a)</u>	<u>Total Personal Income (1) (b)</u>	<u>Per Capita Income</u>	<u>Average Annual Unemployment Rate (c)</u>
2010	4,625,364	\$ 150,496	\$ 32,537	11.2%
2009	4,561,242	147,501	32,338	11.7%
2008	4,503,280	148,370	32,947	6.9%
2007	4,424,232	142,050	32,107	5.6%
2006	4,339,399	134,197	30,925	6.4%
2005	4,256,199	124,392	29,226	6.8%
2004	4,201,306	117,248	27,908	6.8%
2003	4,146,474	110,660	26,688	6.7%
2002	4,103,934	107,002	26,073	6.0%
2001	4,062,701	104,215	25,652	5.2%

Note (1): Amounts expressed in millions.

Source: (a) U. S. Census Bureau; (b) U. S. Department of Commerce, Bureau of Economic Analysis; (c) U. S. Department of Labor.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

TEN LARGEST EMPLOYERS
STATE OF SOUTH CAROLINA
LATEST COMPLETED CALENDAR YEAR AND NINE YEARS PRIOR
(listed alphabetically)

2010	2001
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Greenville Hospital System	Michelin North America, Inc.
Michelin North America, Inc.	Springs Industries, Inc.
Palmetto Health Alliance, Inc.	U.S. Department of Defense
U.S. Department of Defense	U.S. Postal Service
U.S. Postal Service	University of South Carolina
University of South Carolina	Wal-Mart Associates, Inc.
Wal-Mart Associates, Inc.	Westinghouse Savannah River

Notes: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Employment Security Commission.